

STATE OF ILLINOIS
LAKE COUNTY
REGIONAL OFFICE OF EDUCATION NO. 34

FINANCIAL AUDIT
For the Year Ended June 30, 2016

Performed as Special Assistant Auditors
For the Auditor General, State of Illinois

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

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LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

OFFICIALS

Regional Superintendent
(During the Audit Period and Current)

Honorable Roycealee J. Wood

Assistant Regional Superintendent
(During the Audit Period and Current)

Mr. Gary E. Pickens

Office is located at:

800 Lancer Lane
Suite E-128
Grayslake, Illinois 60030-2656

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

FINANCIAL REPORT SUMMARY

The financial audit testing performed in this audit was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITORS' REPORTS

The auditors' reports do not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	2	4
Repeated audit findings	1	3
Prior recommendations implemented or not repeated	3	0

Details of audit findings are included in a separate report section.

SUMMARY OF FINDINGS AND RESPONSES

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (GOVERNMENT AUDITING STANDARDS)

2016-001	11	Controls Over Financial Statement Preparation	Material Weakness
2016-002	14	Inadequate Controls Over Bank Reconciliations	Material Weakness

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

2015-002	20	Controls Over Fund Accounting	Material Weakness
2015-003	20	Inadequate Review of Journal Entries	Material Weakness
2015-004	20	Inaccurate Expenditure Report	Significant Deficiency

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

FINANCIAL REPORT SUMMARY (CONTINUED)

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an informal exit conference held on May 22, 2017. Attending were Honorable Roycealee J. Wood, Regional Superintendent, Gary E. Pickens, Assistant Regional Superintendent, Lisa Wolf, Accountant, Kent Blake, Regional Office Financial Consultant and Kristyl McDaniel, auditor with Winkel, Parker & Foster, CPA PC. Responses to the recommendations were provided by the Lake County Regional Office of Education No. 34 on April 24, 2017.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of Lake County Regional Office of Education No. 34 was performed by Winkel, Parker & Foster, CPA PC.

Based on their audit, the auditors expressed an unmodified opinion on the Lake County Regional Office of Education No. 34's basic financial statements.

INDEPENDENT AUDITORS' REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake County Regional Office of Education No. 34, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lake County Regional Office of Education No. 34's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake County Regional Office of Education No. 34, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Teachers' Retirement System of the State of Illinois - Schedule of the Employer's Proportionate Share of the Net Pension Liability, Teachers' Retirement System of the State of Illinois - Schedule of Employer Contributions and Schedule of Funding Progress - Other Postemployment Benefits on pages 22 through 31 and 75 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake County Regional Office of Education No. 34's basic financial statements. The combining schedules of accounts, the budgetary comparison schedules and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules of accounts, the budgetary comparison schedules and the combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of accounts, the budgetary comparison schedules and the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017 on our consideration of Lake County Regional Office of Education No. 34's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake County Regional Office of Education No. 34's internal control over financial reporting and compliance.

SIGNATURE ON FILE

Clinton, Iowa
May 31, 2017

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake County Regional Office of Education No. 34, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lake County Regional Office of Education No. 34's basic financial statements, and have issued our report thereon dated May 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake County Regional Office of Education No. 34's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake County Regional Office of Education No. 34's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake County Regional Office of Education No. 34's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses as items 2016-001 and 2016-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake County Regional Office of Education No. 34's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Regional Office of Education No. 34's Responses to Findings

Lake County Regional Office of Education No. 34's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Lake County Regional Office of Education No. 34's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lake County Regional Office of Education No. 34's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake County Regional Office of Education No. 34's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNATURE ON FILE

Clinton, Iowa
May 31, 2017

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I: Summary of Auditors' Results:

Financial Statements in accordance with GAAP

Type of auditors' report issued: _____ Unmodified _____

Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section II: Financial Statement Findings:

FINDING NO. 2016-001 - Controls Over Financial Statement Preparation (Repeat from 15-001, 14-001, 13-001, 12-1, 11-1 and 10-1)

Criteria/Specific Requirement:

Lake County Regional Office of Education No. 34 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office of Education No. 34's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government's major and nonmajor funds in the aggregate to be provided in the fund financial statements.

GASB Statements No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, require governments to record and present net accrued pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. These standards further prescribe the methods and assumptions that are to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of service.

Condition:

The Regional Office of Education No. 34 does not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section II: Financial Statement Findings:

FINDING NO. 2016-001 - Controls Over Financial Statement Preparation (Repeat from 15-001, 14-001, 13-001, 12-1, 11-1 and 10-1) (Continued)

Condition: (continued)

The Regional Office of Education No. 34 did not have adequate controls to ensure financial statement balances were accurate. While the Regional Office did maintain records to indicate the balances of financial statement accounts, numerous material audit adjustments were proposed in order to ensure balances of supporting records and reconciliations agreed to the general ledger financial statement accounts. The audit adjustments included those resulting from the implementation of GASB Statements No. 68 and No. 71. Additionally, adjustments were also proposed to record payroll obligations for pay earned by employees as of June 30, 2016 but not paid until subsequent pay periods. These obligations were originally recorded by the Regional Office as reductions in cash and as expenditures.

Effect:

Management or employees in the normal course of performing their assigned functions may not prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

Cause:

Management did not effectively detect all of the material adjustments, including those required under GASB Statements No. 68 and No. 71 and payroll obligations, needed in order to present financial statements in accordance with GAAP.

Recommendation:

As part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education No. 34 should implement comprehensive preparation procedures to ensure the financial statements, including disclosures, are complete and accurate. The Regional Office should ensure all general ledger financial statement accounts agree to supporting records and reconciliations. In addition, the Regional Office should perform a detailed review of activity subsequent to fiscal year end to ensure all accruals are properly recorded. These procedures should be performed by a properly trained individual possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office's activities and operations.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016**

Section II: Financial Statement Findings:

FINDING NO. 2016-001 - Controls Over Financial Statement Preparation (Repeat from 15-001, 14-001, 13-001, 12-1, 11-1 and 10-1) (Continued)

Management's Response:

The Lake ROE agrees with the finding and will continue to implement comprehensive preparation and review procedures to ensure that financial statements including disclosures are complete and accurate. In order to streamline preparation of comprehensive financial statements, the Lake ROE has finalized efforts to consolidate multiple installations of the financial management software. This merged data system has been tested and validated. The new merged system is undergoing continual review and will be the sole financial system in use for the FY 2017 audit. Also included in the corrective activities are continued consulting services and training to Lake ROE finance staff regarding preparation of financial statements (including review for completeness and accuracy). In addition, the Lake ROE has continued to contract with a part-time business consultant who continues to review Lake ROE business procedures and controls.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016**

Section II: Financial Statement Findings:

FINDING NO. 2016-002 - Inadequate Controls Over Bank Reconciliations

Criteria/Specific Requirement:

Adequate internal controls over cash require that all cash in the custody of the Regional Office of Education No. 34 be recorded in the general ledger and that each month's bank statements be reconciled to the related general ledger account balances.

Condition:

Although bank reconciliations were performed for the period ended June 30, 2016, auditors noted the total of all cash accounts per the general ledger was not properly reconciled to the Regional Office of Education No. 34's bank accounts. Numerous errors were noted in the reconciliations including bank balances missing from the reconciliations, voided checks included on the outstanding check listing, transfers made between bank accounts not being included on all affected reconciliations, and held checks being included in the cash balances.

Effect:

Bank statements not reconciled properly to the general ledger could result in unintentional or intentional errors or fraud, which could be material to the financial statements and may not be detected and corrected in a timely manner by employees in the normal course of performing their assigned duties.

Cause:

The Regional Office of Education No. 34 has inadequate internal controls in place to ensure bank statements are properly reconciled to the related general ledger cash accounts.

Recommendation:

The Regional Office of Education No. 34's management should ensure all cash accounts per the general ledger are properly reconciled to the relating bank accounts. Management should ensure that all reconciling items are reviewed for accuracy with the appropriate follow-up as necessary.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section II: Financial Statement Findings:

FINDING NO. 2016-002 - Inadequate Controls Over Bank Reconciliations (Continued)

Management's Response:

The Lake ROE agrees with the finding and will establish adequate internal controls over cash to ensure all cash accounts per the general ledger are properly reconciled to the relating bank accounts. Management will also ensure that all reconciling items are reviewed for accuracy with the appropriate follow-up as necessary. This will be done using the newly refined merged financial management system/database and the resulting consolidation of multiple bank accounts. All cash in the custody of the Regional Office of Education No. 34 shall be recorded in the general ledger and each month's bank statements will be reconciled to the related general ledger account balances.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section III: Federal Award Findings:

Not Applicable

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2016

FINDING NO. 2016-001 - Controls Over Financial Statement Preparation (Repeat from 15-001, 14-001, 13-001, 12-1, 11-1 and 10-1)

Condition:

The Regional Office of Education No. 34 does not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

The Regional Office of Education No. 34 did not have adequate controls to ensure financial statement balances were accurate. While the Regional Office did maintain records to indicate the balances of financial statement accounts, numerous material audit adjustments were proposed in order to ensure balances of supporting records and reconciliations agreed to the general ledger financial statement accounts. The audit adjustments included those resulting from the implementation of GASB Statements No. 68 and No. 71. Additionally, adjustments were also proposed to record payroll obligations for pay earned by employees as of June 30, 2016 but not paid until subsequent pay periods. These obligations were originally recorded by the Regional Office as reductions in cash and as expenditures.

Plan:

- Continue implementation of current comprehensive preparation and review procedures to ensure that financial statements including disclosures are complete and accurate.
- Validate and refine the recently merged financial management system and database to ensure consistent definition of funds and programs across all divisions (ROE, ATD, and ESD).
- Before being recorded in the ROE financial accounting system, an administrator or designee will review payroll obligations for pay earned by employees as of June 30 but not paid until subsequent pay periods.
- Continue contracts with appropriate consultants to provide independent review, consulting services and training to Lake ROE finance staff regarding preparation of financial statements (including review for completeness and accuracy).
- Continue to conduct additional training regarding successful use of the Lake ROE's merged financial management software. This training includes ongoing training and orientation of the ROE's accountant.
- Continue to contract with a part-time business consultant to review Lake ROE business procedures and controls.
- Revise and implement staff operating procedures to include a consolidated financial management system (ongoing).

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2016**

FINDING NO. 2016-001 - Controls Over Financial Statement Preparation (Repeat from 15-001, 14-001, 13-001, 12-1, 11-1 and 10-1) (Continued)

Anticipated Completion Date:

Currently in progress. Expected completion by June 30, 2017 for preparation of Fiscal Year 2017 financial statements.

Contact Person Responsible for Corrective Action:

Honorable Roycealee Wood, Regional Superintendent

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2016**

FINDING NO. 2016-002 - Inadequate Controls Over Bank Reconciliations

Condition:

Although bank reconciliations were performed for the period ended June 30, 2016, auditors noted the total of all cash accounts per the general ledger was not properly reconciled to the Regional Office of Education No. 34's bank accounts. Numerous errors were noted in the reconciliations including bank balances missing from the reconciliations, voided checks included on the outstanding check listing, transfers made between bank accounts not being included on all affected reconciliations, and held checks being included in the cash balances.

Plan:

- Continue to use the merged financial management data system to identify and correct instances of incorrect historic account reconciliation activities, primarily between the various divisions of the Lake ROE.
- Discontinue use of and close (when appropriate) unnecessary bank accounts.
- Reconcile all continuing bank accounts of the Regional Office of Education monthly using the merged financial management accounting software.
- Ensure the employee conducting the bank reconciliation will not be the check signer and will not have processed nor approved any accounts payable transactions or payments.
- If an event occurs that will alter a month's previously completed bank reconciliation, that month and all subsequent months will be corrected.
- Each month an administrator or designee will confirm that the cash balances indicated on the bank statement(s) agree with the financial reports generated by the accounting software of the Regional Office of Education.

Anticipated Completion Date:

- ATD and ESD bank accounts have been closed and ROE accounts are managed centrally.
- Monthly reconciliations of ongoing bank accounts are continuing.
- Completion of historic review of accounts under the merged financial management system will occur by August 31, 2017 or sooner (following close of FY 2017) and then continue as a part of monthly bank reconciliation and administrative review.

Contact Person Responsible for Corrective Action:

Honorable Roycealee Wood, Regional Superintendent

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2016

<u>Finding Number</u>	<u>Condition</u>	<u>Current Status</u>
2015-001	Controls Over Financial Statement Preparation	Repeated
2015-002	Controls Over Fund Accounting	Resolved
2015-003	Inadequate Review of Journal Entries	Resolved
2015-004	Inaccurate Expenditure Report	Resolved

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Lake County Regional Office of Education No. 34 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016 with comparative information for the year ended June 30, 2015. Readers are encouraged to consider the information in conjunction with Lake County Regional Office of Education No. 34's basic financial statements.

2016 FINANCIAL HIGHLIGHTS

- Within the Governmental Funds, the General Fund revenues increased from \$3,213,878 in 2015 to \$3,919,927 in 2016 mostly due to increases in general state aid funding. The General Fund expenditures also increased from \$3,063,475 in 2015 to \$3,615,762 in 2016 mostly due to increases in general state aid paid to other local governments.
- Within the Governmental Funds, the Special Revenue Fund revenues increased from \$2,699,783 in 2015 to \$3,065,056 in 2016. The Special Revenue Fund expenditures also increased from \$2,468,022 in 2015 to \$2,703,590 in 2016. The increases were mostly due to an increase in revenue due to an increase in 18.3 State Orphanage Grant funding and an increase in expenditures due to increase in Juvenile Detention School expenditures for salary, equipment and indirect costs.
- The Proprietary Fund revenues decreased from \$349,541 reported in 2015 to \$190,829 reported in 2016. The decrease is mostly attributable to changes in the pension benefit and reduced workshop revenues. The Proprietary Fund expenditures decreased from \$326,587 in 2015 to \$296,846 in 2016 due to reduced workshop costs of salary, professional services, and food.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

- *Management's Discussion and Analysis* introduces financial statements and provides an analytical overview of Lake County Regional Office of Education No. 34's financial activities.
- The *Government-wide Financial Statements* consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lake County Regional Office of Education No. 34 as a whole and present an overall view of Lake County Regional Office of Education No. 34's finances.
- The *fund financial statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lake County Regional Office of Education No. 34's operations in more detail than the government-wide statements by providing information about the most significant funds.
- *Notes to financial statements* provide additional information that is needed for a full understanding of the data provided in the basic financial statements.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

- *Required Supplementary Information* further explains and supports the financial statements with information about pension and other postemployment benefits.
- *Supplementary Information* provides detailed information about the major and nonmajor funds along with budgetary comparison schedules.

REPORTING LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34 AS A WHOLE

It is important to note that the Lake County Regional Office of Education No. 34 is reported together with the following component units: Educational Services Division, Attendance and Truancy Division (ATD), Northern Illinois Reading Recovery Consortium, ROE Alternative Program, and Regional Board of School Trustees.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about Lake County Regional Office of Education No. 34 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of Lake County Regional Office of Education No. 34's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid using generally accepted accounting principles of GASB 34.

The government-wide financial statements report Lake County Regional Office of Education No. 34's net position and how they have changed. Net position - the net amount of Lake County Regional Office of Education No. 34's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure Lake County Regional Office of Education No. 34's financial health or financial position.

- Over time, increases or decreases in net position are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess Lake County Regional Office of Education No. 34's overall health, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the State level need to be considered.

In the government-wide financial statements, Lake County Regional Office of Education No. 34's activities are divided into two categories:

- *Governmental activities*: Most of Lake County Regional Office of Education No. 34's basic services are included here, such as grants and statutory funds. Federal and state grant proceeds finance most of these activities.
- *Business-type activities*: Lake County Regional Office of Education No. 34 charges fees to help cover the costs of certain services it provides.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Fund Financial Statements

The fund financial statements provide more detailed information about Lake County Regional Office of Education No. 34's funds. Funds are accounting devices that allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by state law. Lake County Regional Office of Education No. 34 establishes other funds to control and manage money for particular purposes, such as accounting for special revenue funds, or to show that it is properly using certain revenues, such as federal grants.

Lake County Regional Office of Education No. 34 has two kinds of funds:

- 1) *Governmental funds*: account for those funds through which most governmental functions of the Regional Office are financed. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and the balances left at the year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Regional Office's programs. Lake County Regional Office of Education No. 34's Governmental Funds include: the General Fund and the Special Revenue Funds. The governmental funds' required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.
- 2) *Proprietary funds*: account for resources from fees charged directly to those entities or individuals that use its services. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by government-wide financial statements but with more detail for major and nonmajor enterprise funds. The proprietary funds' required financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a Statement of Cash Flows.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve when examined over time as one indicator of the financial position of Lake County Regional Office of Education No. 34. The net position at the end of fiscal year 2016 and 2015 totaled \$2,826,645 and \$2,123,858, respectively. The analysis that follows provides a summary of Lake County Regional Office of Education No. 34's net position as of June 30.

Condensed Statement of Net Position

<u>2016</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current assets	\$ 4,935,723	\$ 167,748	\$ 5,103,471
Capital assets being depreciated, net	<u>46,107</u>	<u>12,502</u>	<u>58,609</u>
Total assets	<u>4,981,830</u>	<u>180,250</u>	<u>5,162,080</u>
Deferred outflows of resources	<u>32,394</u>	<u>2,210</u>	<u>34,604</u>
Current liabilities	456,746	790,893	1,247,639
Non-current liabilities	<u>219,111</u>	<u>10,149</u>	<u>229,260</u>
Total liabilities	<u>675,857</u>	<u>801,042</u>	<u>1,476,899</u>
Deferred inflows of resources	<u>522,004</u>	<u>371,136</u>	<u>893,140</u>
Net position			
Net investment in capital assets	3,054	12,502	15,556
Unrestricted	398,014	(1,002,220)	(604,206)
Restricted - other	<u>3,415,295</u>	<u>-</u>	<u>3,415,295</u>
Total net position	<u>\$ 3,816,363</u>	<u>\$ (989,718)</u>	<u>\$ 2,826,645</u>

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

<u>2015</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current assets	\$ 4,365,562	\$ 147,450	\$ 4,513,012
Capital assets being depreciated, net	<u>65,705</u>	<u>15,017</u>	<u>80,722</u>
Total assets	<u>4,431,267</u>	<u>162,467</u>	<u>4,593,734</u>
 Deferred outflows of resources	 <u>1,957</u>	 <u>939</u>	 <u>2,896</u>
 Current liabilities	 429,376	 656,017	 1,085,393
Non-current liabilities	<u>200,069</u>	<u>9,122</u>	<u>209,191</u>
Total liabilities	<u>629,445</u>	<u>665,139</u>	<u>1,294,584</u>
 Deferred inflows of resources	 <u>796,220</u>	 <u>381,968</u>	 <u>1,178,188</u>
 Net position			
Net investment in capital assets	7,557	15,017	22,574
Unrestricted	34,215	(898,718)	(864,503)
Restricted - other	<u>2,965,787</u>	<u>-</u>	<u>2,965,787</u>
 Total net position	 <u>\$ 3,007,559</u>	 <u>\$ (883,701)</u>	 <u>\$ 2,123,858</u>

Lake County Regional Office of Education No. 34's net position increased by \$702,787 (33%) from fiscal year 2015. Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. Unrestricted net position was \$(604,206) at year end. The largest portion of Lake County Regional Office of Education No. 34's net position is restricted. Net position related to the Institute Fund, Education Fund and Non-Major Funds are considered restricted for other purposes.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Changes in Net Position

The following analysis shows the changes in net position for the years ended June 30, 2016 and 2015.

<u>2016</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 397,176	\$ 180,331	\$ 577,507
Operating grants and contributions	2,554,256	-	2,554,256
General revenues:			
Local sources	223,836	-	223,836
State sources	2,713,152	-	2,713,152
Pension benefit	265,774	10,498	276,272
On-behalf payments	<u>1,255,688</u>	<u>-</u>	<u>1,255,688</u>
Total revenues	<u>7,409,882</u>	<u>190,829</u>	<u>7,600,711</u>
Expenses:			
Instructional services:			
Salaries and employee benefits	1,348,782	176,773	1,525,555
Purchased services	561,640	76,667	638,307
Supplies and materials	20,114	35,230	55,344
Payments to other governments	3,311,652	-	3,311,652
Other objects	46,677	4,941	51,618
Depreciation	19,598	2,515	22,113
Capital outlay	36,927	720	37,647
Administrative:			
On-behalf payments	<u>1,255,688</u>	<u>-</u>	<u>1,255,688</u>
Total expenses	<u>6,601,078</u>	<u>296,846</u>	<u>6,897,924</u>
Change in net position	808,804	(106,017)	702,787
Net position, beginning of year	<u>3,007,559</u>	<u>(883,701)</u>	<u>2,123,858</u>
Net position, end of year	<u>\$ 3,816,363</u>	<u>\$ (989,718)</u>	<u>\$ 2,826,645</u>

Operating grants and contributions account for 34% of the total revenue. Lake County Regional Office of Education No. 34's expenses primarily relate to instructional services, which account for 82% of the total expenses.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

<u>2015</u>	<u>Governmental</u>	<u>Business-</u>	<u>Total</u>
	<u>Activities</u>	<u>Type</u>	
		<u>Activities</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 423,934	\$ 257,661	\$ 681,595
Operating grants and contributions	2,471,992	-	2,471,992
General revenues:			
Local sources	242,385	-	242,385
State sources	1,964,137	-	1,964,137
Pension benefit	191,523	91,880	283,403
On-behalf payments	<u>1,233,076</u>	<u>-</u>	<u>1,233,076</u>
Total revenues	<u>6,527,047</u>	<u>349,541</u>	<u>6,876,588</u>
Expenses:			
Instructional services:			
Salaries and employee benefits	1,295,203	196,662	1,491,865
Purchased services	570,832	80,285	651,117
Supplies and materials	29,506	38,182	67,688
Payments to other governments	2,628,569	-	2,628,569
Other objects	8,905	6,793	15,698
Depreciation and disposition losses	21,441	2,088	23,529
Capital outlay	-	2,577	2,577
Administrative:			
On-behalf payments	<u>1,233,076</u>	<u>-</u>	<u>1,233,076</u>
Total expenses	<u>5,787,532</u>	<u>326,587</u>	<u>6,114,119</u>
Change in net position	739,515	22,954	762,469
Net position, beginning of year, as restated	<u>2,268,044</u>	<u>(906,655)</u>	<u>1,361,389</u>
Net position, end of year	<u>\$ 3,007,559</u>	<u>\$ (883,701)</u>	<u>\$ 2,123,858</u>

Operating grants and contributions account for 36% of the total revenue. Lake County Regional Office of Education No. 34's expenses primarily relate to instructional services, which account for 80% of the total expenses.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Governmental Activities

In fiscal year 2016, revenues and expenses for governmental activities increased by \$882,835 and \$813,546, respectively. The increase in revenues and expenses was primarily due to increases in General State Aid revenues and increases in payments to other districts as expenses.

Business-Type Activities

In fiscal year 2016, revenues for business-type activities decreased by \$158,712 while expenses decreased by \$29,741. The decrease in revenues and expenses was primarily due to reductions in workshop fee revenues and a reduction in the pension benefit. The reduction in expenditures was due to reduced costs in conducting workshop activities.

INDIVIDUAL FUND ANALYSIS

As previously noted, Lake County Regional Office of Education No. 34 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As Lake County Regional Office of Education No. 34 completed the year, its governmental funds reported a combined fund balance of \$4,121,226, above last year's ending fund balance of \$3,473,511.

Governmental Fund Highlights

The General Fund's fund balance increased from \$1,014,346 in 2015 to \$1,101,860 in 2016. The main reason for the increase is due to increases in General State Aid and General State Aid ALOP funding.

The Institute Fund's fund balance increased from \$738,016 in 2015 to \$869,028 in 2016. The main reason for the increase is due to reduced salary and benefit costs to provide teacher licensure services.

The Education Fund's fund balance increased from \$1,446,821 in 2015 to \$1,922,345 in 2016. The main reason for the increase is due to an increase in 18.3 State Orphanage Grant funding.

The Nonmajor Special Revenue Funds' fund balance decreased from \$274,328 in 2015 to \$227,993 in 2016. The main reason for the decrease is due to increased expenditures for Reading Recovery rent.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

Proprietary Fund Highlights

Total proprietary fund net position decreased from \$(883,701) in 2015 to \$(989,718) in 2016. The change is mostly attributable to operating expenses to provide workshops exceeded fees received from individuals who attended workshops.

BUDGETARY HIGHLIGHTS

Lake County Regional Office of Education No. 34 annually adopts budgets for several funds. The Regional Superintendent annually prepares an Office Operations Budget and submits it to the County Board for their approval. The Office Operations Budget covers a fiscal year which runs from December 1 to November 30. All grant budgets are prepared by Lake County Regional Office of Education No. 34 and submitted to the granting agency for approval. Amendments must be submitted under guidelines established by the granting agency.

CAPITAL ASSETS AND LONG-TERM DEBT

Lake County Regional Office of Education No. 34's capital assets include office equipment, computers, audio-visual equipment, and office furniture. The Lake County Regional Office of Education No. 34 maintains an inventory of capital assets which have accumulated over time. For fiscal year 2016, there were no asset additions or retirements. The depreciation expense for fiscal year 2016 amounted to \$22,113. Additional information on Lake County Regional Office of Education No. 34's capital assets can be found in Note 3 on page 56 of this report.

Lake County Regional Office of Education No. 34 has entered into a lease agreement as lessee for financing the acquisition of a copier. The present value of minimum lease payments at June 30, 2016 was \$43,053. Additional information on Lake County Regional Office of Education No. 34's leases can be found in Note 4 on page 57 of this report.

ECONOMIC FACTORS BEARING ON LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34'S FUTURE

At the time these financial statements were prepared and audited, Lake County Regional Office of Education No. 34 was aware of several existing circumstances that could significantly affect its financial health in the future:

- The ongoing lack of a State of Illinois fiscal year 2016 budget has affected receipt of the ROE/ISC operations grant.
- Uncertainty regarding continued reductions in workshop revenues due to reduced school district budgets.
- The potential of reduced or eliminated funding from county, state and/or federal sources.
- The increased cost of providing services (e.g. labor, facilities, supplies).

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016**

**CONTACTING LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34'S FINANCIAL
MANAGEMENT**

This financial report is designed to provide Lake County Regional Office of Education No. 34's citizens, taxpayers, clients, and other constituents with a general overview of Lake County Regional Office of Education No. 34's finances and to demonstrate Lake County Regional Office of Education No. 34's accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact Lake County Regional Office of Education No. 34, 800 Lancer Lane, Suite E-128, Grayslake, Illinois 60030.

BASIC FINANCIAL STATEMENTS

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,149,176	\$ 158,916	\$ 3,308,092
Investments	113,660	-	113,660
Due from other funds	781,725	-	781,725
Accounts receivable	3,734	-	3,734
Prepays	11,779	3,585	15,364
Due from other governments	875,649	5,247	880,896
Total current assets	<u>4,935,723</u>	<u>167,748</u>	<u>5,103,471</u>
Non-current assets:			
Capital assets being depreciated, net	46,107	12,502	58,609
Total assets	<u>4,981,830</u>	<u>180,250</u>	<u>5,162,080</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>32,394</u>	<u>2,210</u>	<u>34,604</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,750	1,856	5,606
Accrued expenses	71,100	7,312	78,412
Accrued compensated absences	22,232	-	22,232
Due to other funds	-	781,725	781,725
Due to other governments	313,075	-	313,075
Unearned revenue	30,643	-	30,643
Leases payable	15,946	-	15,946
Total current liabilities	<u>456,746</u>	<u>790,893</u>	<u>1,247,639</u>
Non-current liabilities:			
Leases payable	27,107	-	27,107
Net OPEB obligations	147,000	-	147,000
Net pension liability	45,004	10,149	55,153
Total non-current liabilities	<u>219,111</u>	<u>10,149</u>	<u>229,260</u>
Total liabilities	<u>675,857</u>	<u>801,042</u>	<u>1,476,899</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>522,004</u>	<u>371,136</u>	<u>893,140</u>
NET POSITION			
Net investment in capital assets	3,054	12,502	15,556
Unrestricted	398,014	(1,002,220)	(604,206)
Restricted - other	3,415,295	-	3,415,295
Total net position	<u>\$ 3,816,363</u>	<u>\$ (989,718)</u>	<u>\$ 2,826,645</u>

The accompanying notes are an integral part of the financial statements.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

EXHIBIT B

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Primary Government		Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
Instructional services:						
Salaries	\$ 1,005,498	\$ 51,633	\$ 804,590	\$ (149,275)	\$ -	\$ (149,275)
Employee benefits	343,284	7,944	270,751	(64,589)	-	(64,589)
Purchased services	561,640	182,701	319,282	(59,657)	-	(59,657)
Supplies and materials	20,114	15,887	5,109	882	-	882
Payments to other governments	3,311,652	111,209	1,090,667	(2,109,776)	-	(2,109,776)
Other objects	46,677	27,802	25,543	6,668	-	6,668
Depreciation	19,598	-	38,314	18,716	-	18,716
Capital outlay	36,927	-	-	(36,927)	-	(36,927)
Administrative:						
On-behalf payments	1,255,688	-	-	(1,255,688)	-	(1,255,688)
Total governmental activities	6,601,078	397,176	2,554,256	(3,649,646)	-	(3,649,646)
Business-type activities:						
Professional development	296,846	180,331	-	-	(116,515)	(116,515)
Total primary government	\$ 6,897,924	\$ 577,507	\$ 2,554,256	(3,649,646)	(116,515)	(3,766,161)
General revenues:						
Local sources:						
Intergovernmental				220,905	-	220,905
Interest income				1,359	-	1,359
Miscellaneous				1,572	-	1,572
State sources				2,713,152	-	2,713,152
Pension benefit				265,774	10,498	276,272
On-behalf payments				1,255,688	-	1,255,688
Total general revenues				4,458,450	10,498	4,468,948
CHANGES IN NET POSITION				808,804	(106,017)	702,787
NET POSITION, BEGINNING OF YEAR				3,007,559	(883,701)	2,123,858
NET POSITION, END OF YEAR				\$ 3,816,363	\$ (989,718)	\$ 2,826,645

The accompanying notes are an integral part of the financial statements.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	Special Revenue				Total Governmental Funds
	General Fund	Institute Fund	Education Fund	Other Nonmajor Funds	
ASSETS					
Cash and cash equivalents	\$ 127,209	\$ 618,820	\$ 2,050,728	\$ 352,419	\$ 3,149,176
Investments	-	113,660	-	-	113,660
Accounts receivable	-	-	-	3,734	3,734
Due from other funds	1,043,315	139,001	1,529	25,900	1,209,745
Prepays	-	-	11,779	-	11,779
Due from other governments	-	-	809,896	65,753	875,649
Total assets	1,170,524	871,481	2,873,932	447,806	5,363,743
DEFERRED OUTFLOWS OF RESOURCES					
None	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	\$ 1,170,524	\$ 871,481	\$ 2,873,932	\$ 447,806	\$ 5,363,743
LIABILITIES					
Accounts payable	\$ 1,941	\$ 572	\$ -	\$ 1,237	\$ 3,750
Accrued expenses	36,880	1,881	29,441	2,898	71,100
Due to other funds	-	-	260,271	167,749	428,020
Due to other governments	-	-	309,606	3,469	313,075
Unearned revenue	29,843	-	-	800	30,643
Total liabilities	68,664	2,453	599,318	176,153	846,588
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	352,269	43,660	395,929
FUND BALANCE					
Nonspendable	-	-	11,779	-	11,779
Restricted	-	869,028	1,942,439	309,484	3,120,951
Assigned	61,127	-	-	-	61,127
Unassigned	1,040,733	-	(31,873)	(81,491)	927,369
Total fund balance	1,101,860	869,028	1,922,345	227,993	4,121,226
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
	\$ 1,170,524	\$ 871,481	\$ 2,873,932	\$ 447,806	\$ 5,363,743

The accompanying notes are an integral part of the financial statements.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016**

Total fund balance of governmental funds (page 35)	\$ 4,121,226
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>46,107</u>
Receivables not collected within 60 days of year end are not available soon enough to pay for the current period's expenditures and, therefore, are considered unavailable revenue in the funds.	<u>395,929</u>
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds.	
Deferred outflows of resources	32,394
Deferred inflows of resources	<u>(522,004)</u>
	<u>(489,610)</u>
Non-current liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Capital lease obligations	(43,053)
Compensated absences	(22,232)
Net OPEB obligations	(147,000)
Net pension liability	<u>(45,004)</u>
	<u>(257,289)</u>
Net position of governmental activities (page 33)	\$ <u>3,816,363</u>

The accompanying notes are an integral part of the financial statements.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	<u>Special Revenue</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Institute Fund</u>	<u>Education Fund</u>	<u>Other Nonmajor Funds</u>	
REVENUES:					
Federal sources	\$ -	\$ -	\$ 74,283	\$ 67,102	\$ 141,385
State sources	2,713,152	-	1,896,487	16,913	4,626,552
Local sources:					
Intergovernmental	220,905	854	605,080	4,230	831,069
Fees for services	-	279,168	-	118,008	397,176
Interest income	-	235	-	1,124	1,359
Miscellaneous	-	-	1,572	-	1,572
On-behalf payments	985,870	-	-	-	985,870
Total revenues	<u>3,919,927</u>	<u>280,257</u>	<u>2,577,422</u>	<u>207,377</u>	<u>6,984,983</u>
EXPENDITURES:					
Instructional services:					
Salaries	207,254	24,328	687,498	86,418	1,005,498
Employee benefits	76,542	4,483	238,690	21,189	340,904
Pension expense	2,268	-	872	9,751	12,891
Purchased services	136,872	41,580	262,342	120,846	561,640
Supplies and materials	4,881	4,272	5,368	5,593	20,114
Payments to other governments	2,199,290	73,337	1,039,025	-	3,311,652
Other objects	2,283	1,245	23,413	16,915	43,856
On-behalf payments	985,870	-	-	-	985,870
Capital outlay	502	-	36,425	-	36,927
Total expenditures	<u>3,615,762</u>	<u>149,245</u>	<u>2,293,633</u>	<u>260,712</u>	<u>6,319,352</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>304,165</u>	<u>131,012</u>	<u>283,789</u>	<u>(53,335)</u>	<u>665,631</u>
OTHER FINANCING SOURCES (USES):					
Transfer in	-	-	191,735	7,000	198,735
Transfer out	(198,735)	-	-	-	(198,735)
Repayment of long-term lease payable	(15,095)	-	-	-	(15,095)
Interest expense	(2,821)	-	-	-	(2,821)
Total other financing sources (uses)	<u>(216,651)</u>	<u>-</u>	<u>191,735</u>	<u>7,000</u>	<u>(17,916)</u>
NET CHANGE IN FUND BALANCE	87,514	131,012	475,524	(46,335)	647,715
FUND BALANCE, BEGINNING OF YEAR	<u>1,014,346</u>	<u>738,016</u>	<u>1,446,821</u>	<u>274,328</u>	<u>3,473,511</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,101,860</u>	<u>\$ 869,028</u>	<u>\$ 1,922,345</u>	<u>\$ 227,993</u>	<u>\$ 4,121,226</u>

The accompanying notes are an integral part of the financial statements.

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016**

Net change in fund balance (page 37)	\$ 647,715
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation	<u>(19,598)</u>
Some receivables will not be collected for several months after fiscal year end, so they are not considered as "available" revenues in the governmental funds, and they are instead counted as deferred inflows of resources. They are, however, recorded as revenues in the Statement of Activities.	
Fiscal year 2015 unavailable revenue recognized in fiscal year 2016	(506,622)
Fiscal year 2016 unavailable revenue	<u>395,929</u>
	<u>(110,693)</u>
Repayment of long-term capital lease obligations are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
	<u>15,095</u>
The current year pension contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.	
	<u>12,891</u>
Some expenses in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These activities consist of:	
Decrease in compensated absences	6,620
Increase in Net OPEB expense	(9,000)
Increase in pension benefit	<u>265,774</u>
	<u>263,394</u>
Change in net position of governmental activities (page 34)	\$ 808,804

The accompanying notes are an integral part of the financial statements.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

Business-Type Activities - Enterprise Funds

	Education Services Division	Nonmajor Enterprise Funds	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 19,903	\$ 139,013	\$ 158,916
Prepays	-	3,585	3,585
Due from other governments	4,848	399	5,247
Due from other funds	491,574	-	491,574
Total current assets	<u>516,325</u>	<u>142,997</u>	<u>659,322</u>
Non-current assets:			
Capital assets being depreciated, net	-	12,502	12,502
Total assets	<u>516,325</u>	<u>155,499</u>	<u>671,824</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>2,210</u>	<u>-</u>	<u>2,210</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	1,856	1,856
Accrued expenses	7,312	-	7,312
Due to other funds	1,273,299	-	1,273,299
Total current liabilities	<u>1,280,611</u>	<u>1,856</u>	<u>1,282,467</u>
Non-current liabilities:			
Net pension liability	<u>10,149</u>	<u>-</u>	<u>10,149</u>
Total liabilities	<u>1,290,760</u>	<u>1,856</u>	<u>1,292,616</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>371,136</u>	<u>-</u>	<u>371,136</u>
NET POSITION			
Net investment in capital assets	-	12,502	12,502
Unrestricted	<u>(1,143,361)</u>	<u>141,141</u>	<u>(1,002,220)</u>
Total net position	<u>\$ (1,143,361)</u>	<u>\$ 153,643</u>	<u>\$ (989,718)</u>

The accompanying notes are an integral part of the financial statements.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

Business-Type Activities - Enterprise Funds

	<u>Education Services Division</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
OPERATING REVENUES:			
Fees for services	\$ 151,916	\$ 28,415	\$ 180,331
Pension benefit	10,498	-	10,498
	<u>162,414</u>	<u>28,415</u>	<u>190,829</u>
OPERATING EXPENSES:			
Salaries	144,238	1,125	145,363
Employee benefits	31,410	-	31,410
Purchased services	55,033	21,634	76,667
Supplies and materials	32,255	2,975	35,230
Other objects	4,871	70	4,941
Capital outlay	-	720	720
Depreciation	-	2,515	2,515
Total operating expenses	<u>267,807</u>	<u>29,039</u>	<u>296,846</u>
CHANGES IN NET POSITION	(105,393)	(624)	(106,017)
NET POSITION, BEGINNING OF YEAR	<u>(1,037,968)</u>	<u>154,267</u>	<u>(883,701)</u>
NET POSITION, END OF YEAR	<u>\$ (1,143,361)</u>	<u>\$ 153,643</u>	<u>\$ (989,718)</u>

The accompanying notes are an integral part of the financial statements.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Education Services Division</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from workshops and services	\$ 154,818	\$ 28,562	\$ 183,380
Payments to suppliers and providers of goods and services	(92,159)	(18,108)	(110,267)
Payments to employees	<u>(178,753)</u>	<u>(1,125)</u>	<u>(179,878)</u>
Net cash provided by (used in) operating activities	(116,094)	9,329	(106,765)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund loans	<u>135,997</u>	<u>-</u>	<u>135,997</u>
CHANGES IN CASH AND CASH EQUIVALENTS	19,903	9,329	29,232
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>129,684</u>	<u>129,684</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 19,903</u>	<u>\$ 139,013</u>	<u>\$ 158,916</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (105,393)	\$ (624)	\$ (106,017)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	-	2,515	2,515
Prepays	-	5,885	5,885
Due from other governments	2,902	147	3,049
Deferred outflows of resources	(1,271)	-	(1,271)
Accounts payable	-	1,406	1,406
Accrued expenses	(2,527)	-	(2,527)
Net pension liability	1,027	-	1,027
Deferred inflows of resources	<u>(10,832)</u>	<u>-</u>	<u>(10,832)</u>
Net cash provided by (used in) operating activities	<u>\$ (116,094)</u>	<u>\$ 9,329</u>	<u>\$ (106,765)</u>

The accompanying notes are an integral part of the financial statements.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Lake County Regional Office of Education No. 34 is an entity that is a result of an Educational Service Region becoming a Regional Office of Education as of August 7, 1995. The Lake County Regional Office of Education No. 34 operates under the School Code (105 ILCS 5/3 and 5/3A). Lake County Regional Office of Education No. 34 encompasses all of Lake County, Illinois. A Regional Superintendent of Schools serves as Chief Administrative Officer of Lake County Regional Office of Education No. 34 and is elected to the position for a four year term pursuant to 105 ILCS 5/3 and 5/3A of the School Code.

The Regional Superintendent's responsibilities for administering the school educational service region programs include, but are not limited to, providing directions to teachers and school officials on science, art and teaching methods; implementing the State Board of Education's Policy Programs; encouraging camaraderie among teachers through the teachers' institute; making public notice of unfilled teaching positions within the region; and ensuring of the safety, health, and welfare of the students in the region by periodically inspecting the school buildings and ensuring that the bus drivers have valid driving licenses and are properly trained to operate the school buses.

The financial statements of the Lake County Regional Office of Education No. 34 have been prepared in conformity with the Generally Accepted Accounting Principles (GAAP) as applied to governmental units.

Criteria Used to Determine the Scope of the Entity

The Office of the Regional Superintendent of Schools is elected by popular vote. By Illinois State Statutes, occupancy, secretarial, and other costs incurred in maintaining the Office are paid by the counties involved, and the salaries of the Regional Superintendent and the Assistant Regional Superintendent are paid by the State of Illinois. The Regional Superintendent is responsible for the supervision and control of school districts in the Lake County Regional Office of Education No. 34.

The Lake County Regional Office of Education No. 34 has developed criteria to determine whether outside agencies with activities which benefit the citizens served by the Lake County Regional Office of Education No. 34, including school districts which serve pupils in Lake County Regional Office of Education No. 34, should be included within its financial reporting entity. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Lake County Regional Office of Education No. 34 to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Lake County Regional Office of Education No. 34.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Blended Component Units

The following component units are entities, which are legally separate from Lake County Regional Office of Education No. 34, but are so intertwined with the Regional Office that they are, in substance, the same as the Regional Office. They are supported as part of Lake County Regional Office of Education No. 34 and blended into the appropriate funds.

On August 8, 1995, Lake County Regional Office of Education No. 34 assumed, pursuant to State law, the authority and responsibility of Educational Services Center No. 2 (ESC No. 2) of Lake County. The former ESC No. 2 is now the Educational Services Division of Lake County Regional Office of Education No. 34 located in its Grayslake office. The Lake County Regional Office of Education No. 34's Regional Superintendent of Schools is the administrative and fiscal agent for the Educational Services Division.

The Educational Services Division is responsible, under the School Code, for providing a variety of in-service training and staff development opportunities to improve the knowledge and skills of educators, and for serving as the primary regional delivery system for State and federal grant supported programs and services in education.

Lake County Regional Office of Education No. 34 administers the Attendance and Truancy Division (ATD) from its Grayslake office. The Lake County Regional Office of Education No. 34's Regional Superintendent of Schools is the administrative and fiscal agent for ATD. ATD, also known as the Lake County Center for Dropout Prevention, was established in 1985 to provide educational services to chronic truants and potential dropouts.

The primary goals of ATD are to reduce student truancy and to prevent students from dropping out of school. It provides counseling, tutoring, mentoring, attendance incentives and a variety of enrichment activities that draw on community resources. It also provides teacher technical support services that give emphasis to creative and instructional strategies to make learning more interesting and engaging.

Lake County Regional Office of Education No. 34 administers the Northern Illinois Reading Recovery Consortium from its Grayslake office. The Lake County Regional Office of Education No. 34's Regional Superintendent of Schools is the administrative and fiscal agent for the Consortium. The Lake County Regional Office of Education No. 34 provides site coordination via a contracted consultant.

Lake County Regional Office of Education No. 34 provides administrative support for the Regional Board of School Trustees from its Grayslake office. The Lake County Regional Office of Education No. 34's Regional Superintendent of Schools serves as Ex-Officio Secretary of the Board.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Regional Board of Trustees consists of seven members from different townships who are elected to six-year terms by the voters of Lake County. The Board has jurisdiction over all matters regarding school boundary changes pursuant to Article 7 of the School Code.

The ROE Alternative Program of Lake County is administered by the Lake County Regional Superintendent per the School Code of Illinois 5/13A-6. This is cited as the Safe Schools Law.

Lake County Regional Office of Education No. 34 is not aware of any entity which would exercise such oversight as to result in it being considered a component unit of the entity.

Basis of Presentation

Government-wide Financial Statements - The government-wide financial statements (i.e. Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between those activities of the Regional Office of Education that are governmental in nature and those that are considered business-type activities. *Governmental activities* normally are supported by operating grants and contributions, charges for services and intergovernmental revenues. *Business-type activities* normally are supported by amounts assessed or received from local sources for the Regional Office of Education programs.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants, contributions and interest restricted to meeting the operational requirements or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues received more than 60 days after the end of the current period are considered unavailable revenue and are shown as deferred inflows of resources in the governmental fund financial statements but are recognized as current revenues in the government-wide financial statements.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Lake County Regional Office of Education No. 34.

Lake County Regional Office of Education No. 34 records on-behalf payments made by the State to the Teachers' Retirement System as revenue and expenditures.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, Lake County Regional Office of Education No. 34 funds certain programs by a combination of specific cost-reimbursement grant resources to such programs, and then general revenues. It is the Regional Office of Education No. 34's policy to first apply restricted funds, then unrestricted. For unrestricted funds, committed funds are used first, then assigned funds, then unassigned, if any.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Lake County Regional Office of Education No. 34's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Lake County Regional Office of Education No. 34 maintains its financial records on the cash basis. The financial statements of Lake County Regional Office of Education No. 34 are prepared by making memorandum adjusting entries to the cash basis financial records.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts of Lake County Regional Office of Education No. 34 are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Lake County Regional Office of Education No. 34 maintains individual funds as required by the State of Illinois. The resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following summarizes the fund types used:

Governmental Fund Types

Governmental Funds are those through which most governmental functions are financed. The acquisition, use and balances of the expendable financial resources and the related current liabilities are accounted for through governmental funds. The governmental funds include the following:

General Fund - The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management, to be accounted and reported for in another fund. The General Fund is always considered a major fund. The following accounts are included in the general funds:

General State Aid - Used to account for grant monies received for, and payment of, expenditures for regional learning academy supplements.

Educational Services Division Local Operations - Used to account for monies received for, and payment of, expenditures relating to the operations of the Educational Services Division.

Attendance and Truancy Division (ATD) - Used to account for monies received from interest, donations, and various miscellaneous income. These funds are used to defray staff development, training and professional membership expenses.

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects. Major special revenue funds include the following:

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Institute - Used to account for fees collected for the registration and renewal of teaching licenses. These fees are used to defray administrative expenses incidental to teachers' institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expenses of any general or special meeting of teachers or school personnel, which has been approved. All funds generated remain restricted until expended only on the aforementioned activities.

Education Fund - Used to account for the State and federal grants and contracts administered by the Regional Office of Education. The education funds are as follows:

Title I - Reading First Part B SEA Funds - Funds provide assistance to school districts in establishing reading programs for students in kindergarten through third grade that are based on scientifically based reading research. Reading first also focuses on teacher development and ensuring that all teachers, including special education teachers, have the tools they need to effectively help their students learn to read.

Regional Safe Schools - This fund is an alternative schooling program for disruptive youth, creating alternative placement for those students who are suspended and/or are deemed ineligible.

Truants Alternative/Optional Education - Used to account for monies received from the Illinois State Board of Education to be used in the truant alternative program for Lake County students.

McKinney Education for Homeless Children - Used to account for grant monies received for, and payment of, expenditures associated with a federal program designed to provide counseling and educational support to homeless children and their families. The programs are funded by a federal Stewart B. McKinney Education for Homeless Children and Youth grant administered through the Illinois State Board of Education.

Juvenile Detention Fund - Used to account for revenues and expenditures related to the operation of the educational program at the Lake County Juvenile Detention Center.

Teacher Mentoring Program - Used to account for grant money received and the expenditures incurred to support the statewide new teacher mentoring program that includes assigning a mentor teacher to each new teacher for a period of at least two years and providing professional development designed to ensure the growth of the new teachers' knowledge and skills.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principal Mentoring Program - Used to account for monies from the Illinois Principals Association for expenditures incurred to ensure that every new principal in the region receives a high-quality mentoring experience from trained mentors.

ROE/ISC Operations - Used to account for monies received for, and payment of, assisting schools in all areas of school improvement.

EFAST Pilot Program - Used to account for monies received from the State for expenditures in support of regional mathematics curriculum development activities.

Title II - Teacher Quality Leadership - Used to account for grant monies received for, and payment of, expenditures incurred in providing teacher and principal evaluation training to educators.

Soaring with SAVE - Used to account for grant monies received for, and payment of, expenditures incurred in the Soaring with SAVE after school program. The after school program includes academic tutoring, violence prevention, and enrichment support services to an identified population of middle school students at-risk of academic failure.

Nonmajor Special Revenue Funds - The Regional Office of Education reported the following special revenue funds as nonmajor governmental funds:

General Education Development - Used to account for the revenues and expenditures associated with the processing of applications for the high school level Test of General Educational Development and the issuance of diplomas upon successful completion of the examination. Statute requires excess funds accumulated for periods exceeding three years to be transferred into the Institute Fund.

Bus Driver Training - Used to account for the revenues and expenditures incurred in conducting initial and refresher training classes for school bus drivers.

Regional Board of School Trustees - Used to account for the revenues and expenditures of the Regional Board of Trustees. This Board consists of seven members from different townships who are elected to six-year terms by the voters of Lake County. The Board has jurisdiction over all matters regarding school boundary changes pursuant to Article 7 of the School Code.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reading Recovery Installation Fees - Used to account for monies received from Reading Recovery Consortium members and the interest earned on the funds.

Reading Recovery Operations - Used to account for monies received for, and payment of, expenditures in connection with books and materials for the reading recovery teachers and teacher leaders, supplies, travel expenses, meeting expenses, salary and benefits for teacher leaders, and required professional development.

Distributive Interest - Used to account for monies accumulated from interest earned on the general fund's checking account.

Learning Technology Center - Used to account for the revenues and expenditures of establishing a statewide support system for information, professional development, technical assistance, network design, technology planning, leadership, and information exchange.

Attendance and Truancy Division (ATD) - Used to account for the revenues and expenditures of reducing student truancy and the prevention of students from dropping out of school.

Educational Services Division - Used to account for the revenues and expenditures of providing a variety of in-service training and staff development opportunities to improve the knowledge and skills of educators.

Proprietary Fund Types

Enterprise Funds are used to account for resources from fees charged directly to those entities or individuals that use its services.

Education Services Division - Used to account for the fees received and expenses incurred providing a variety of in service training workshops and conferences.

Nonmajor Enterprise Funds - The Regional Office of Education reported the following funds as nonmajor enterprise funds:

Attendance and Truancy Division (ATD) - Used to account for the fees received and expenses incurred providing workshops and conferences to prevent students from dropping out of school.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fingerprinting Assessment - Used to account for the assessments received from the school districts to pay for the processing of fingerprinting the substitute teachers and expenses incurred for providing this service to the school districts.

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources

The following accounting policies are followed in preparing the balance sheet:

Cash and investments - The cash and investment balances of Lake County Regional Office of Education No. 34 are valued at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

State regulations require that the Lake County Regional Office of Education No. 34 deposit funds under its control into accounts insured by the federal government, secured by substantial collateral or into pooled investment trusts. All funds not needed for immediate disbursements are maintained in interest bearing accounts. Statutes authorize Lake County Regional Office of Education No. 34 to make deposits or invest in obligations of states and their political subdivisions, saving accounts, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Public Treasurer's Investment Pool.

Due from other governments - Due from other governments represents amounts due from the Illinois State Board of Education, other agencies, and districts.

Capital assets - Capital assets result from expenditures in the governmental and proprietary funds. These assets are reported in the governmental and business-type activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements in the governmental funds. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Lake County Regional Office of Education No. 34 capitalizes items costing \$5,000 or more. Depreciation is calculated on a straight-line basis over the estimated useful lives (three to seven years) of the respective assets.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lake County Regional Office of Education No. 34 reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Deferred outflows of resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Pensions - For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Illinois (TRS) and additions to/deductions from TRS' fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred inflows of resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental funds consist of receivables not collected within 60 days after year end. Deferred inflows of resources in the Statement of Net Position relate to pensions and consist of the unamortized portion of the net difference between expected and actual experience, changes of assumptions, and the net difference between projected and actual earnings on pension plan investments.

Unearned revenue - Lake County Regional Office of Education No. 34 reports unearned revenue when proceeds have been received but will be earned or spent in a succeeding fiscal year.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balance

Fund Balance is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources in a Governmental Fund. The following types of fund balances may be presented in the Governmental Funds Balance Sheet and Governmental Funds Combining Schedule of Accounts:

Nonspendable Fund Balance - the portion of a Governmental Fund's net position that are not available to be spent, either short term or long term, in either form or through legal restrictions. The nonspendable fund balance for the Regional Safe Schools is in the form of prepaids.

Restricted Fund Balance - the portion of a Governmental Fund's net position that is subject to external enforceable legal restrictions. The following fund balance accounts are restricted by grant agreements or contracts: Title I - Reading First Part B SEA Funds, McKinney Education for Homeless Children, Juvenile Detention Fund, Principal Mentoring Program, EFAST Pilot Program, Soaring with SAVE, Reading Recovery Installation Fees, Reading Recovery Operations, Distributive Interest, and Attendance and Truancy Division (ATD). The following funds are restricted by Illinois Statute: Institute Fund, General Education Development, and Bus Driver Training.

Committed Fund Balance - the portion of a Governmental Fund's net position with self-imposed constraints or limitations that have been placed at the highest level of decision making. There are no accounts presenting a committed fund balance.

Assigned Fund Balance - the portion of a Governmental Fund's net position to denote an intended use of resources. The accounts presented with assigned fund balances are specified for a particular purpose by the Regional Superintendent. A portion of the General State Aid fund balance and the Attendance and Truancy Division (ATD) represents assigned fund balance.

Unassigned Fund Balance - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The unassigned balance is made up of a portion of General State Aid, Educational Services Division Local Operations, Regional Safe Schools, Truants Alternative/Optional Education, Teacher Mentoring Program, ROE/ISC Operations, Regional Board of School Trustees, Learning Technology Center, and Educational Services Division.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position of the Regional Office of Education is classified as follows:

Net Investment in Capital Assets - consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of borrowings that are attributable to the acquisition of those assets.

Restricted Net Position - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted Net Position - the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Revenue

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Non-exchange transactions, in which the Regional Office of Education receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Regional Office of Education must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Regional Office of Education on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues from Federal and State grant awards are recorded net of the amount due to the State for the unused portion of the grant or the amount carried over to the following fiscal year project. Amounts due to the State or carried over to the following year project are recorded as liabilities.

Charges for services result from exchange or exchange-like transactions, in which customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Teacher licensure and permit revenues are recognized in the year for which the licenses and permits are issued.

Budgetary Data

The Lake County Regional Office of Education No. 34 did not adopt a formal budget nor is it legally required to do so for the year ended June 30, 2016; subsequently, the accompanying financial statements are not presented on a budgetary basis whereby budget and actual revenues and expenditures are compared; however, the Illinois State Board of Education, a granting agent, requires budgets for certain program money. For the year ended June 30, 2016, a budgetary comparison schedule is presented for the following grant funds: Regional Safe Schools, Truants Alternative/Optional Education, McKinney Education for Homeless Children, ROE/ISC Operations, Title II - Teacher Quality Leadership and Learning Technology Center.

Management Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through May 31, 2017, the date the financial statements were available to be issued.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 - CASH AND CASH EQUIVALENTS

The deposit of Lake County Regional Office of Education No. 34 monies is governed by the provisions of the Illinois Compiled Statutes.

Deposits

Lake County Regional Office of Education No. 34 utilizes several different bank accounts for its various activities. The book balance of such accounts is \$3,308,092 at June 30, 2016, while the bank balance was \$3,947,726. The difference between the above amounts primarily represents checks that have been issued but have not yet cleared the bank as of June 30, 2016. Of the total bank balance as of June 30, 2016, the entire amount was secured by federal depository insurance or collateral held by the pledging institution in the name of the Regional Office of Education.

Investments

Lake County Regional Office of Education No. 34's established investment policy follows the State of Illinois Public Funds Investment Act which authorizes the Regional Office of Education to purchase certain obligations of the U.S. Treasury, federal agencies, and instrumentalities; certificates of deposit and time deposits covered by Federal depository insurance; commercial paper of U.S. corporations with assets exceeding \$500,000,000, if such paper is rated at the highest classification established by at least two standard rating services; money market funds and the Illinois Funds.

As of June 30, 2016, the Regional Office of Education had investments with a carrying value of \$113,660 invested in certificates of deposits.

Credit Risk

At June 30, 2016, the Illinois Funds Money Market Fund had a Standards and Poor's AAAM rating. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. Although not subject to direct regulatory oversight, the fund is administered by the Illinois State Treasurer in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235. All investments are fully collateralized.

Interest Rate Risk

The Illinois Funds Money Market Fund, created by the Illinois General Assembly, enables custodians of public funds an investment option with a competitive rate of return on fully collateralized investments and immediate access to the funds. The investment policy of the Illinois Funds Money Market Fund states that unless authorized specifically by the Treasurer, a minimum of 75% of its investments shall have less than one-year maturity and no investment shall exceed two years maturity.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a financial institution, Lake County Regional Office of Education No. 34 will not be able to recover its investments or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2016, the Regional Office of Education's investments are fully collateralized.

Concentration of Credit Risk

Unless specifically authorized by the Treasurer, the Illinois Funds Money Market Fund's investment policy limits investment categories to not exceed 25% of the portfolio, with the exception of cash equivalents and U.S. Treasury securities. Further, certificates of deposits cannot exceed 10% of any single financial institution's total deposits.

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2016 is as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Funds:				
Furniture and equipment	\$ 183,551	\$ -	\$ -	\$ 183,551
Less accumulated depreciation	<u>(117,846)</u>	<u>(19,598)</u>	<u>-</u>	<u>(137,444)</u>
Total capital assets, net	<u>\$ 65,705</u>	<u>\$ (19,598)</u>	<u>\$ -</u>	<u>\$ 46,107</u>
	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Proprietary Funds:				
Furniture and equipment	\$ 36,244	\$ -	\$ -	\$ 36,244
Less accumulated depreciation	<u>(21,227)</u>	<u>(2,515)</u>	<u>-</u>	<u>(23,742)</u>
Total capital assets, net	<u>\$ 15,017</u>	<u>\$ (2,515)</u>	<u>\$ -</u>	<u>\$ 12,502</u>
Depreciation expense was charged as follows:				
Governmental Funds:				
Depreciation				\$ 19,598
Proprietary Funds:				
Depreciation				<u>2,515</u>
Total depreciation				<u>\$ 22,113</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 - CAPITAL LEASES AND RELATING LONG-TERM LIABILITIES

Lake County Regional Office of Education No. 34 has entered into a lease agreement as lessee for financing the acquisition of a copier. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets account. The gross amount of assets recorded under the capital lease is \$78,163 and the accumulated amortization as of June 30, 2016 was \$37,779. The lease includes an end of term purchase option of \$1.

The future minimum lease obligations and the net present value of these lease payments as of June 30, 2016 were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 17,916
2018	17,916
2019	<u>10,451</u>
Total minimum lease payments	46,283
Less: amount representing interest	<u>3,230</u>
Present value of minimum lease payments	<u>\$ 43,053</u>

Capital lease long-term liability activity for the year ended June 30, 2016, is as follows:

<u>Capital Lease</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due within One Year</u>
Governmental Funds	<u>\$ 58,148</u>	<u>\$ -</u>	<u>\$ 15,095</u>	<u>\$ 43,053</u>	<u>\$ 15,946</u>

NOTE 5 - OPERATING LEASES

Lake County Regional Office of Education No. 34 is committed under lease agreements for a building facility for its Safe Schools program located in Zion, IL, and classroom space for its Educational Services Division operations located in Grayslake, IL.

For fiscal year 2016, the lease for the Safe Schools program required a monthly lease payment of \$11,604 with an option for annual renewal. Total rental expense for this facility for the year ended June 30, 2016 was \$139,243. During fiscal year 2016 this lease was renewed for fiscal year 2017. The new lease agreement requires monthly lease payments of \$11,779 with an option for annual renewal. Future minimum lease payments under the lease total \$141,348 for fiscal year 2017.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 - OPERATING LEASES (CONTINUED)

For fiscal year 2016, the lease agreement for the Educational Services Division required quarterly lease payments of \$8,522 with an option for annual renewal. Total rental expense for the year ended June 30, 2016, was \$34,086. During fiscal year 2016 this lease was renewed for fiscal year 2017. The new lease agreement requires quarterly lease payments of \$8,770 with an option for annual renewal. Future minimum lease payments under the lease total \$35,080 for fiscal year 2017.

NOTE 6 - EMPLOYEE BENEFIT PLAN

Employees of Lake County Regional Office of Education No. 34 are paid by, and considered employees of, county government. As such, related retirement obligations associated with these employees are the responsibility of county government.

NOTE 7 - ON-BEHALF PAYMENTS

The breakdown of the on-behalf payments by the State of Illinois for the Regional Superintendent and the Assistant Regional Superintendent of the Lake County Regional Office of Education No. 34 are as follows:

Regional Superintendent - salary	\$ 112,008
Regional Superintendent - benefits (includes state paid insurance)	24,892
Assistant Regional Superintendent - salary	100,812
Assistant Regional Superintendent - benefits (includes state paid insurance)	34,908
THIS on-behalf payments	4,553
Salaries of office workers paid by Lake County	468,785
Lake County's share in health insurance contributions	95,263
Lake County's share in retirement contributions	43,374
Other administrative expenses	<u>101,275</u>
Total on-behalf payments	<u>\$ 985,870</u>

Salary and benefit data for the Regional Superintendent and the Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education (ISBE). Lake County Regional Office of Education No. 34 recorded the on-behalf payments as both revenues and expenditures in the general fund.

Lake County Regional Office of Education No. 34 also recorded \$269,818 in revenues and expenses as on-behalf payments from ISBE for Lake County Regional Office of Education No. 34's share of the State's Teachers' Retirement System (TRS) pension expense in the Statement of Activities. In addition, Lake County Regional Office of Education No. 34 has not included any on-behalf payments related to the State's TRS pension expense for the Regional Superintendent or Assistant Regional Superintendent.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 - ON-BEHALF PAYMENTS (CONTINUED)

State of Illinois on-behalf payments	\$ 985,870
Regional Office of Education No. 34's share of TRS pension expense	<u>269,818</u>
Total	<u>\$1,255,688</u>

NOTE 8 - RETIREMENT FUND COMMITMENTS

Teachers' Retirement System of the State of Illinois

General Information about the Pension Plan

Plan description

Lake County Regional Office of Education No. 34 participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher licensure is required. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The TRS Board of Trustees is responsible for the System's administration.

TRS issues a publicly available financial report that can be obtained at <http://trs.illinois.gov/pubs/cafr>; by writing to TRS at 2815 W. Washington, PO Box 19253, Springfield, IL 62794; or by calling (888) 877-0890, option 2.

Benefits provided

TRS provides retirement, disability, and death benefits. Tier I members have TRS or reciprocal system service prior to January 1, 2011. Tier I members qualify for retirement benefits at age 62 with five years of service, at age 60 with 10 years, or age 55 with 20 years. The benefit is determined by the average of the four highest years of creditable earnings within the last 10 years of creditable service and the percentage of average salary to which the member is entitled. Most members retire under a formula that provides 2.2 percent of final average salary up to a maximum of 75 percent with 34 years of service. Disability and death benefits are also provided.

Tier II members qualify for retirement benefits at age 67 with 10 years of service, or a discounted annuity can be paid at age 62 with 10 years of service. Creditable earnings for retirement purposes are capped and the final average salary is based on the highest consecutive eight years of creditable service rather than the last four. Disability provisions for Tier II are identical to those of Tier I. Death benefits are payable under a formula that is different from Tier I.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 - RETIREMENT FUND COMMITMENTS (CONTINUED)

Essentially all Tier I retirees receive an annual 3 percent increase in the current retirement benefit beginning January 1 following the attainment of age 61 or on January 1 following the member's first anniversary in retirement, whichever is later. Tier II annual increases will be the lesser of three percent of the original benefit or one-half percent of the rate of inflation beginning January 1 following attainment of age 67 or on January 1 following the member's first anniversary in retirement, whichever is later.

Contributions

The state of Illinois maintains the primary responsibility for funding TRS. The Illinois Pension Code, as amended by Public Act 88-0593 and subsequent acts, provides that for years 2010 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045.

Contributions from active members and TRS contributing employers are also required by the Illinois Pension Code. The contribution rates are specified in the pension code. The active member contribution rate for the year ended June 30, 2016, was 9.4 percent of creditable earnings. The member contribution, which may be paid on behalf of employees by the employer, is submitted to TRS by Lake County Regional Office of Education No. 34.

On behalf contributions to TRS. The state of Illinois makes employer pension contributions on behalf of Lake County Regional Office of Education No. 34. For the year ended June 30, 2016, state of Illinois contributions recognized by Lake County Regional Office of Education No. 34 were based on the state's proportionate share of the collective net pension liability associated with Lake County Regional Office of Education No. 34, and Lake County Regional Office of Education No. 34 recognized revenue and expenditures of \$269,818 in pension contributions from the state of Illinois.

2.2 formula contributions. Employers contribute 0.58 percent of total creditable earnings for the 2.2 formula change. The contribution rate is specified by statute. Contributions for the year ended June 30, 2016, were \$2,493, and are deferred because they were paid after the June 30, 2015 measurement date.

Federal and special trust fund contributions. When TRS members are paid from federal and special trust funds administered by Lake County Regional Office of Education No. 34, there is a statutory requirement for Lake County Regional Office of Education No. 34 to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that has been in effect since the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and special trust funds will be the same as the state contribution rate to TRS. Public Act 98-0674 now requires the two rates to be the same.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 - RETIREMENT FUND COMMITMENTS (CONTINUED)

For the year ended June 30, 2016, the employer pension contribution was 36.06 percent of salaries paid from federal and special trust funds. For the year ended June 30, 2016, salaries totaling \$29,956 were paid from federal and special trust funds that required employer contributions of \$10,802. These contributions are deferred because they were paid after the June 30, 2015 measurement date.

Employer retirement cost contributions. Under GASB Statement No. 68, contributions that an employer is required to pay because of a TRS member retiring are categorized as specific liability payments. Lake County Regional Office of Education No. 34 is required to make a one-time contribution to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the member's age and salary. The maximum employer ERO contribution under the current program is 146.5 percent and applies when the member is age 55 at retirement. For the year ended June 30, 2016 Lake County Regional Office of Education No. 34 paid no employer contributions under the ERO program.

Lake County Regional Office of Education No. 34 is also required to make a one-time contribution to TRS for members granted salary increases over 6 percent if those salaries are used to calculate a retiree's final average salary. A one-time contribution is also required for members granted sick leave days in excess of the normal annual allotment if those days are used as TRS service credit. For the year ended June 30, 2016 Lake County Regional Office of Education No. 34 did not make any employer contributions to TRS due on salary increases in excess of 6 percent or for sick leave days granted in excess of the normal annual allotment.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, Lake County Regional Office of Education No. 34 reported a liability for its proportionate share of the net pension liability (first amount shown below) that reflected a reduction for state pension support provided to the employer. The state's support and total are for disclosure purposes only. The amount recognized by the employer as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the employer were as follows:

Employer's proportionate share of the net pension liability	\$ 55,153
State's proportionate share of the net pension liability associated with the employer	<u>3,293,339</u>
Total	<u>\$ 3,348,492</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 - RETIREMENT FUND COMMITMENTS (CONTINUED)

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, and rolled forward to June 30, 2015. Lake County Regional Office of Education No. 34's proportion of the net pension liability was based on Lake County Regional Office of Education No. 34's share of contributions to TRS for the measurement year ended June 30, 2015, relative to the projected contributions of all participating TRS employers and the state during that period. At June 30, 2015, Lake County Regional Office of Education No. 34's proportion was .0000841894 percent, which was an increase of .0000379544 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, Lake County Regional Office of Education No. 34 recognized pension expense of \$269,818 and revenue of \$269,818 for support provided by the state. At June 30, 2016, Lake County Regional Office of Education No. 34 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20	\$ 60
Net difference between projected and actual earnings on pension plan investment	1,092	1,931
Changes of assumptions	763	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	19,329	891,149
Employer contributions subsequent to the measurement date	13,400	-
Total	<u>\$ 34,604</u>	<u>\$ 893,140</u>

\$13,400 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (280,892)
2018	(280,892)
2019	(280,892)
2020	<u>(29,260)</u>
Total	<u>\$ (871,936)</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 - RETIREMENT FUND COMMITMENTS (CONTINUED)

Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	Varies by amount of service credit
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 White Collar Table with adjustments as appropriate for TRS experience. The rates are used on a fully-generational basis using projection table MP-2014.

The actuarial assumptions for the years ended June 30, 2015 and 2014 were different. The actuarial assumptions used in the June 30, 2015 valuation were based on the 2015 actuarial experience analysis. The investment return assumption remained at 7.5 percent, salary increase assumptions were lowered, retirement rates were increased, mortality updates were made and other assumptions were revised. The actuarial assumptions used in the June 30, 2014 valuation were based on updates to economic assumptions adopted in 2014 which lowered the investment return assumption from 8.0 percent to 7.5 percent. The salary increase and inflation assumptions were also lowered from their 2013 levels.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 - RETIREMENT FUND COMMITMENTS (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class that were used by the actuary are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. large cap	18%	7.53%
Global equity excluding U.S.	18	7.88
Aggregate bonds	16	1.57
U.S. TIPS	2	2.82
NCREIF	11	5.11
Opportunistic real estate	4	9.09
ARS	8	2.57
Risk parity	8	4.87
Diversified inflation strategy	1	3.26
Private equity	14	12.33
Total	100%	

Discount rate

At June 30, 2015, the discount rate used to measure the total pension liability was a blended rate of 7.47 percent, which was a change from the June 30, 2014 rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions, employer contributions, and state contributions will be made at the current statutorily-required rates.

Based on those assumptions, TRS's fiduciary net position at June 30, 2015 was not projected to be available to make all projected future benefit payments of current active and inactive members and all benefit recipients. Tier I's liability is partially-funded by Tier II members, as the Tier II member contribution is higher than the cost of Tier II benefits. Due to this subsidy, contributions from future members in excess of the service cost are also included in the determination of the discount rate. Despite the subsidy, all projected future payments were not covered, so a slightly lower long-term expected rate of return on TRS investments was applied to all periods of projected benefit payments to determine the total pension liability.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 - RETIREMENT FUND COMMITMENTS (CONTINUED)

At June 30, 2014, the discount rate used to measure the total pension liability was 7.50 percent. The discount rate was the same as the actuarially-assumed rate of return on investments that year because TRS's fiduciary net position and the subsidy provided by Tier II were sufficient to cover all projected benefit payments.

Sensitivity of Lake County Regional Office of Education No. 34's proportionate share of the net pension liability to changes in the discount rate

The following presents Lake County Regional Office of Education No. 34's proportionate share of the net pension liability calculated using the discount rate of 7.47 percent, as well as what Lake County Regional Office of Education No. 34's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.47 percent) or 1-percentage-point higher (8.47 percent) than the current rate.

	1% Decrease (<u>6.47%</u>)	Current Discount Rate (<u>7.47%</u>)	1% Increase (<u>8.47%</u>)
Regional Office of Education No. 34's proportionate share of the net pension liability	<u>\$ 68,155</u>	<u>\$ 55,153</u>	<u>\$ 44,490</u>

TRS fiduciary net position

Detailed information about the TRS's fiduciary net position as of June 30, 2015 is available in the separately issued TRS *Comprehensive Annual Financial Report*.

Illinois Municipal Retirement Fund

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by State Statute. The Regional Office of Education No. 34 is required to contribute at an actuarially determined rate. The Regional Office of Education No. 34 reimburses Lake County for the contributions made for the participating employees.

Retirement Fund

A number of employees of the Regional Office of Education No. 34 are paid by, and considered employees of, Lake County. As such, related retirement obligations associated with these employees are the responsibility of county government and are included in the total county on-behalf payments.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description. Lake County Regional Office of Education No. 34 provides postemployment medical benefits to eligible retirees, spouses and survivors through the Lake County Group Health Insurance Plan, a single-employer, self-insured health care plan. The benefit levels, employee contributions, and employer contributions are governed and can be amended by the Lake County Board.

Benefits Provided. Employees who terminate after meeting the age and service requirements for retirement are eligible to continue their medical care plan coverage with Lake County by paying the monthly premium rate. The benefit levels are the same as those afforded to active employees. The benefits include general outpatient and inpatient medical services and prescriptions. Because the actuarial cost of health benefits for retirees exceeds the average amount paid by retirees, the additional cost is paid by Lake County and is the basis for the OPEB obligation accounted for under GASB Statement No. 45.

Membership. At June 30, 2016, membership consisted of nineteen active participants and one retired participant.

Funding Policy. GASB Statement No. 45 requires recognition of the current expense of OPEB based on each governing body's annual required contribution, but does not require funding of the related liability. As of June 30, 2016, Lake County Regional Office of Education has chosen not to fund the liability.

Annual OPEB Cost and Net OPEB Obligation. Lake County Regional Office of Education No. 34's annual OPEB cost is calculated based on the annual required contribution, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Components of Net OPEB Obligation and Expense

<u>Item</u>	<u>Amount as of</u> <u>June 30, 2016</u>
Annual required contribution	\$ 11,000
Interest on net OPEB obligation	6,000
Adjustment to annual required contribution	<u>(5,000)</u>
Annual OPEB cost	12,000
Contributions made	<u>(3,000)</u>
Increase in net OPEB obligation	9,000
Net OPEB obligation - beginning of year	<u>138,000</u>
Net OPEB obligation - end of year	<u>\$ 147,000</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Schedule of Contributions, OPEB Costs and Net Obligations

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/14	20,000	30%	124,000
06/30/15	20,000	30%	138,000
06/30/16	12,000	25%	147,000

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$117,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability of \$117,000. The covered payroll (annual payroll of active employees covered by the plan) was \$972,769 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.0%.

Actuarial Method and Assumption. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarial determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation for the fiscal year ended June 30, 2016, the projected unit credit cost method was used. The actuarial assumptions include a discount (interest) rate of 4.0% as well as a salary inflation rate of 3.0% per year. The projected annual healthcare trend rate ranges from 4.5% to 7.5%. The ultimate healthcare trend rate is 4.5%. The healthcare trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Mortality rates are from the RP-2014 Generational Table using MP 2016 Projection Scale and applied on a gender-specific basis. Annual retirement and termination probabilities were determined based on the Illinois Retirement System Fund Actuarial Valuation as of December 31, 2015.

The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll expense on an open basis over thirty years.

Teachers Health Insurance Security Fund

Lake County Regional Office of Education No. 34 participates in the Teacher Health Insurance Security (THIS) Fund, a cost-sharing, multiple-employer defined benefit post-employment healthcare plan that was established by the Illinois legislature for the benefit of retired Illinois public school teachers employed outside the city of Chicago. The THIS Fund provides medical, prescription, and behavioral health benefits, but it does not provide vision, dental, or life insurance benefits to annuitants of the Teachers' Retirement System (TRS). Annuitants not enrolled in Medicare may participate in the state-administered participating provider option plan or choose from several managed care options. Annuitants who are enrolled in Medicare Parts A and B may be eligible to enroll in a Medicare Advantage plan.

The State Employees Group Insurance Act of 1971 (5 ILCS 375) outlines the benefit provisions of the THIS Fund and amendments to the plan can be made only by legislative action with the Governor's approval. Effective July 1, 2012, in accordance with Executive Order 12-01, the plan is administered by the Illinois Department of Central Management Services (CMS) with the cooperation of TRS. Section 6.6 of the State Employees Group Insurance Act of 1971 requires all active contributors to TRS who are not employees of the state to make a contribution to the THIS Fund.

The percentage of employer required contributions in the future will not exceed 105 percent of the percentage of salary actually required to be paid in the previous fiscal year.

- **On-behalf Contributions.** The state of Illinois makes employer retiree health insurance contributions on behalf of Lake County Regional Office of Education No. 34. State contributions are intended to match contributions to the THIS Fund from active members which were 1.07 percent of pay during the year ended June 30, 2016. State of Illinois contributions were \$4,553, and Lake County Regional Office of Education No. 34 recognized revenue and expenditures of this amount during the year.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

- **Employer Contributions.** Lake County Regional Office of Education No. 34 also makes contributions to the THIS Fund. Lake County Regional Office of Education No. 34's THIS Fund contribution was 0.80 percent during the year ended June 30, 2016. For the year ended June 30, 2016, Lake County Regional Office of Education No. 34 paid \$3,404 to the THIS Fund, which was 100 percent of the required contribution.

The publicly available financial report of the THIS Fund may be found on the website of the Illinois Auditor General: <http://www.auditor.illinois.gov/Audit-Reports/ABC-List.asp>. The current reports are listed under "Central Management Services." Prior reports are available under "Healthcare and Family Services."

NOTE 10 - COMPENSATED ABSENCES

Under terms of employment, employees are granted general and sick leave in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested general and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Upon the termination of an employee eligible to use general leave, all accumulated leave credit will be paid as of the date of termination up to a maximum of 330 hours. Effective July 1, 2010 the Regional Office of Education amended their policy for general leave accrual and carryover as it applies to grant-funded employees. Any grant-funded employees hired after the effective date will be allowed to accrue general leave according to county policy during the Regional Office of Education's fiscal year. These hours must be used by August 31 following that fiscal year. Any unused general leave not used by August 31 following a fiscal year will be lost and not paid out upon subsequent termination. Any grant-funded employees hired before the effective date will not lose their carryover balance as of June 30, 2010 to a maximum of 330 hours. However, at August 31 following a Regional Office's fiscal year the grant-funded employees' carryover balance cannot exceed their carryover balance as of the beginning of the fiscal year. Any unused general leave earned during a fiscal year starting July 1, 2010 not used by August 31 following that fiscal year end will be lost and not paid out upon subsequent termination. Employees will not be able to carryover additional general leave that they earned starting on July 1, 2010; the only carryover allowed is their balance as of June 30, 2010 that has not been used subsequent to that date. The allowed carryover will be paid as of the date of termination.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 - COMPENSATED ABSENCES (CONTINUED)

Eligible employees who terminate and are in good standing may receive payment for 50% of their accumulated sick leave bank in excess of 30 days to a maximum of 60 days. Reimbursements are paid at the employee's then current pay rate. Under certain conditions, a retiring, vested employee can receive up to a maximum of one year of pension service credit for accumulated, unused, unpaid sick leave.

Eligible employees with at least 30 unused sick leave days in their sick bank may elect to receive cash reimbursement for sick leave days that they accrued during the current fiscal year, less any sick leave days taken that year, at 50% value. This reimbursement option is only offered to employees once a year, usually at the end of the fiscal year. Lake County Regional Office of Education No. 34 records accrued sick leave for amounts payable to employees who elected to be paid for sick days that accumulated during the current year. Accrued sick leave reimbursement amounted to \$0 as of June 30, 2016 and June 30, 2015. Lake County Regional Office of Education No. 34 suspended the sick leave day reimbursement option in fiscal year 2010 as part of its cost saving programs.

Compensated absences activity as of June 30, 2016, is as follows:

	Balance			Balance
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>
Compensated Absences	<u>\$28,852</u>	<u>\$25,319</u>	<u>\$31,939</u>	<u>\$22,232</u>

NOTE 11 - DUE FROM/TO OTHER GOVERNMENTS

The Lake County Regional Office of Education No. 34 has funds due from/to various other governmental units which consist of the following:

Due From Other Governments:		
Education Fund		
Illinois State Board of Education	\$	312,007
Other local governments		497,889
Nonmajor Special Revenue Funds		
Other local governments		65,753
Education Services Division		
Other local governments		4,848
Nonmajor Enterprise Funds		
Other local governments		399
Total		<u>\$ 880,896</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 11 - DUE FROM/TO OTHER GOVERNMENTS (CONTINUED)

Due To Other Governments:		
Education Fund		
Other local governments	\$	309,606
Nonmajor Special Revenue Funds		
Other local governments		<u>3,469</u>
Total		<u><u>\$ 313,075</u></u>

NOTE 12 - DUE FROM/TO FUNDS

Interfund receivables and payables, primarily made to cover cash deficits within pooled cash accounts, at June 30, 2016 were:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund		
General State Aid	\$ 114,073	\$ -
Educational Services Division Local Operations	929,242	-
Institute Fund	139,001	-
Education Fund		
Truants Alternative/Optional Education	-	26,590
Teacher Mentoring Program	-	242
ROE/ISC Operations	1,529	233,439
Nonmajor Special Revenue Funds		
Regional Board of Trustees	-	1,259
Learning Technology Center	-	43,409
Attendance and Truancy Division (ATD)	25,900	5,579
Educational Services Division	-	117,502
Proprietary Funds		
Education Services Division	<u>491,574</u>	<u>1,273,299</u>
Total	<u><u>\$ 1,701,319</u></u>	<u><u>\$ 1,701,319</u></u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 13 - TRANSFERS

Transfers are generally made to provide supplemental funding or move resources from the fund required to collect the resources to the fund required to expend the resources. The following is the detail of interfund transfers as of June 30, 2016:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		
General State Aid	\$ -	\$ 198,735
Education Fund		
Regional Safe Schools	191,735	-
Nonmajor Special Revenue Fund		
Attendance and Truancy Division (ATD)	<u>7,000</u>	<u>-</u>
Total	<u>\$ 198,735</u>	<u>\$ 198,735</u>

NOTE 14 - DEFICIT FUND BALANCES

The following funds had deficit fund balances/net position at June 30, 2016:

Education Fund	
Truants Alternative/Optional Education	\$ (18,747)
Teacher Mentoring Program	(242)
ROE/ISC Operations	(3,432)
Nonmajor Special Revenue Fund	
Regional Board of School Trustees	(1,739)
Learning Technology Center	(43,890)
Educational Services Division	(35,862)
Education Services Division	(1,143,361)

Above deficit fund balances are expected to be reversed in the next fiscal year through payments from the State, receipts from local sources and interest income.

NOTE 15 - RISK MANAGEMENT

Lake County Regional Office of Education No. 34 is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. Lake County Regional Office of Education No. 34 assumes liability for any deductibles and claims in excess of coverage limitations. There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the year.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 16 - NEW PRONOUNCEMENTS

In 2016, Lake County Regional Office of Education No. 34 implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; and GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
(Other than Management's Discussion and Analysis)

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34

SCHEDULE OF THE EMPLOYER'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability	.0000841894%	.0000462350%
Employer's proportionate share of the net pension liability	\$ 55,153	\$ 28,138
State's proportionate share of the net pension liability associated with the employer	<u>3,293,339</u>	<u>2,750,897</u>
Total	<u>\$ 3,348,492</u>	<u>\$ 2,779,035</u>
Employer's covered-employee payroll	\$ 496,744	\$ 481,505
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11.1%	5.8%
Plan fiduciary net position as a percentage of the total pension liability	41.5%	43.0%
<i>* The amounts presented were determined as of the prior fiscal-year end.</i>		

SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contribution	\$ 13,295	\$ 2,881	\$ 1,650
Contributions in relation to the contractually-required contribution	<u>13,400</u>	<u>2,881</u>	<u>1,650</u>
Contribution deficiency (excess)	<u>\$ (105)</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	\$ 425,523	\$ 496,744	\$ 481,505
Contributions as a percentage of covered-employee payroll	3.12%	0.58%	0.34%

Notes to Required Supplementary Information

Changes of assumptions

Amounts reported in 2015 reflect an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and real return of 4.5 percent, and salary increases that vary by service credit. In 2014, assumptions used were an investment rate of return of 7.5 percent, an inflation rate of 3.0 percent and real return of 4.5 percent, and salary increases of 5.75 percent.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS
(Unaudited)
June 30, 2016

Year Ended <u>June 30,</u>	Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Liability (AAL) Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
2016	7/1/15	\$ -	\$ 117,000	\$ 117,000	0%	\$ 972,769	12.0%
2015	7/1/12	-	145,000	145,000	0%	1,053,000	13.8%
2014	7/1/12	-	145,000	145,000	0%	1,100,000	13.2%

SUPPLEMENTARY INFORMATION

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF ACCOUNTS
 GENERAL FUND ACCOUNTS
 June 30, 2016

	<u>General State Aid</u>	<u>Educational Services Division Local Operations</u>	<u>Attendance and Truancy Division (ATD)</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 56,036	\$ 67,653	\$ 3,520	\$ 127,209
Due from other funds	114,073	929,242	-	1,043,315
Total assets	<u>170,109</u>	<u>996,895</u>	<u>3,520</u>	<u>1,170,524</u>
DEFERRED OUTFLOWS OF RESOURCES				
None	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ 170,109</u>	<u>\$ 996,895</u>	<u>\$ 3,520</u>	<u>\$ 1,170,524</u>
LIABILITIES				
Accounts payable	\$ 1,941	\$ -	\$ -	\$ 1,941
Accrued expenses	33,499	3,381	-	36,880
Unearned revenue	-	29,843	-	29,843
Total liabilities	<u>35,440</u>	<u>33,224</u>	<u>-</u>	<u>68,664</u>
DEFERRED INFLOWS OF RESOURCES				
None	-	-	-	-
FUND BALANCE				
Assigned	57,607	-	3,520	61,127
Unassigned	77,062	963,671	-	1,040,733
Total fund balance	<u>134,669</u>	<u>963,671</u>	<u>3,520</u>	<u>1,101,860</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
	<u>\$ 170,109</u>	<u>\$ 996,895</u>	<u>\$ 3,520</u>	<u>\$ 1,170,524</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND ACCOUNTS
Year Ended June 30, 2016

	<u>General State Aid</u>	<u>Educational Services Division Local Operations</u>	<u>Attendance and Truancy Division (ATD)</u>	<u>Totals</u>
REVENUES:				
State sources	\$ 2,713,152	\$ -	\$ -	\$ 2,713,152
Local sources:				
Intergovernmental	60,000	160,905	-	220,905
On-behalf payments	985,870	-	-	985,870
Total revenues	<u>3,759,022</u>	<u>160,905</u>	<u>-</u>	<u>3,919,927</u>
EXPENDITURES:				
Instructional services:				
Salaries	183,289	23,965	-	207,254
Employee benefits	61,501	15,041	-	76,542
Pension expense	434	1,834	-	2,268
Purchased services	81,394	55,047	431	136,872
Supplies and materials	3,879	879	123	4,881
Payments to other governments	2,199,290	-	-	2,199,290
Other objects	2,283	-	-	2,283
On-behalf payments	985,870	-	-	985,870
Capital outlay	-	502	-	502
Total expenditures	<u>3,517,940</u>	<u>97,268</u>	<u>554</u>	<u>3,615,762</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>241,082</u>	<u>63,637</u>	<u>(554)</u>	<u>304,165</u>
OTHER FINANCING USES:				
Transfer out	(198,735)	-	-	(198,735)
Repayment of long-term lease payable	-	(15,095)	-	(15,095)
Interest expense	-	(2,821)	-	(2,821)
Total other financing uses	<u>(198,735)</u>	<u>(17,916)</u>	<u>-</u>	<u>(216,651)</u>
NET CHANGE IN FUND BALANCE	42,347	45,721	(554)	87,514
FUND BALANCE, BEGINNING OF YEAR	<u>92,322</u>	<u>917,950</u>	<u>4,074</u>	<u>1,014,346</u>
FUND BALANCE, END OF YEAR	<u>\$ 134,669</u>	<u>\$ 963,671</u>	<u>\$ 3,520</u>	<u>\$ 1,101,860</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND ACCOUNTS
 June 30, 2016

SCHEDULE 3

	Title I - Reading First Part B <u>SEA Funds</u>	Regional Safe Schools	Truants Alternative/ Optional Education	McKinney Education for Homeless Children	Juvenile Detention Fund	Teacher Mentoring Program
ASSETS						
Cash and cash equivalents	\$ 663	\$ 26,852	\$ 5,034	\$ 11,623	\$ 1,971,576	\$ -
Due from other funds	-	-	-	-	-	-
Prepays	-	11,779	-	-	-	-
Due from other governments	-	207,268	21,590	-	352,269	-
Total assets	663	245,899	26,624	11,623	2,323,845	-
DEFERRED OUTFLOWS OF RESOURCES						
None	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
	\$ 663	\$ 245,899	\$ 26,624	\$ 11,623	\$ 2,323,845	\$ -
LIABILITIES						
Accrued expenses	\$ -	\$ -	\$ 18,781	\$ -	\$ -	\$ -
Due to other funds	-	-	26,590	-	-	242
Due to other governments	-	243,572	-	-	66,034	-
Total liabilities	-	243,572	45,371	-	66,034	242
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	352,269	-
FUND BALANCE (DEFICIT)						
Nonspendable	-	11,779	-	-	-	-
Restricted	663	-	-	11,623	1,905,542	-
Unassigned	-	(9,452)	(18,747)	-	-	(242)
Total fund balance (deficit)	663	2,327	(18,747)	11,623	1,905,542	(242)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)						
	\$ 663	\$ 245,899	\$ 26,624	\$ 11,623	\$ 2,323,845	\$ -

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND ACCOUNTS
 June 30, 2016

SCHEDULE 3
 (CONTINUED)

	<u>Principal</u> <u>Mentoring</u> <u>Program</u>	<u>ROE/ISC</u> <u>Operations</u>	<u>EFAST</u> <u>Pilot</u> <u>Program</u>	<u>Title II -</u> <u>Teacher</u> <u>Quality</u> <u>Leadership</u>	<u>Soaring with</u> <u>SAVE</u>	<u>Totals</u>
ASSETS						
Cash and cash equivalents	\$ 22,290	\$ 10,369	\$ 1,716	\$ -	\$ 605	\$ 2,050,728
Due from other funds	-	1,529	-	-	-	1,529
Prepays	-	-	-	-	-	11,779
Due from other governments	-	228,769	-	-	-	809,896
Total assets	22,290	240,667	1,716	-	605	2,873,932
DEFERRED OUTFLOWS OF RESOURCES						
None	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
	\$ 22,290	\$ 240,667	\$ 1,716	\$ -	\$ 605	\$ 2,873,932
LIABILITIES						
Accrued expenses	\$ -	\$ 10,660	\$ -	\$ -	\$ -	\$ 29,441
Due to other funds	-	233,439	-	-	-	260,271
Due to other governments	-	-	-	-	-	309,606
Total liabilities	-	244,099	-	-	-	599,318
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	-	-	-	352,269
FUND BALANCE (DEFICIT)						
Nonspendable	-	-	-	-	-	11,779
Restricted	22,290	-	1,716	-	605	1,942,439
Unassigned	-	(3,432)	-	-	-	(31,873)
Total fund balance (deficit)	22,290	(3,432)	1,716	-	605	1,922,345
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)						
	\$ 22,290	\$ 240,667	\$ 1,716	\$ -	\$ 605	\$ 2,873,932

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2016

SCHEDULE 4

	<u>Title I - Reading First Part B SEA Funds</u>	<u>Regional Safe Schools</u>	<u>Truants Alternative/ Optional Education</u>	<u>McKinney Education for Homeless Children</u>	<u>Juvenile Detention Fund</u>	<u>Teacher Mentoring Program</u>
REVENUES:						
Federal sources	\$ -	\$ -	\$ -	\$ 52,250	\$ -	\$ -
State sources	-	369,868	107,958	-	1,189,892	-
Local sources:						
Intergovernmental	-	605,080	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>974,948</u>	<u>107,958</u>	<u>52,250</u>	<u>1,189,892</u>	<u>-</u>
EXPENDITURES:						
Instructional services:						
Salaries	-	-	78,813	-	452,017	-
Employee benefits	-	-	17,907	-	176,408	-
Pension expense	-	-	136	-	-	-
Purchased services	-	139,243	11,498	49,556	14,012	-
Supplies and materials	-	-	986	2,681	-	-
Payments to other governments	-	1,039,025	-	-	-	-
Other objects	-	-	-	-	23,413	-
Capital outlay	-	-	-	-	36,425	-
Total expenditures	<u>-</u>	<u>1,178,268</u>	<u>109,340</u>	<u>52,237</u>	<u>702,275</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(203,320)	(1,382)	13	487,617	-
OTHER FINANCING SOURCES:						
Transfer in	<u>-</u>	<u>191,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	-	(11,585)	(1,382)	13	487,617	-
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>663</u>	<u>13,912</u>	<u>(17,365)</u>	<u>11,610</u>	<u>1,417,925</u>	<u>(242)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 663</u>	<u>\$ 2,327</u>	<u>\$ (18,747)</u>	<u>\$ 11,623</u>	<u>\$ 1,905,542</u>	<u>\$ (242)</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2016

SCHEDULE 4
 (CONTINUED)

	Principal Mentoring Program	ROE/ISC Operations	EFAST Pilot Program	Title II - Teacher Quality Leadership	Soaring with SAVE	Totals
REVENUES:						
Federal sources	\$ -	\$ -	\$ -	\$ 22,033	\$ -	\$ 74,283
State sources	-	228,769	-	-	-	1,896,487
Local sources:						
Intergovernmental	-	-	-	-	-	605,080
Miscellaneous	-	1,572	-	-	-	1,572
Total revenues	-	230,341	-	22,033	-	2,577,422
EXPENDITURES:						
Instructional services:						
Salaries	-	156,668	-	-	-	687,498
Employee benefits	-	44,375	-	-	-	238,690
Pension expense	-	736	-	-	-	872
Purchased services	-	26,000	-	22,033	-	262,342
Supplies and materials	-	1,701	-	-	-	5,368
Payments to other governments	-	-	-	-	-	1,039,025
Other objects	-	-	-	-	-	23,413
Capital outlay	-	-	-	-	-	36,425
Total expenditures	-	229,480	-	22,033	-	2,293,633
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	861	-	-	-	283,789
OTHER FINANCING SOURCES:						
Transfer in	-	-	-	-	-	191,735
NET CHANGE IN FUND BALANCE (DEFICIT)	-	861	-	-	-	475,524
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	22,290	(4,293)	1,716	-	605	1,446,821
FUND BALANCE (DEFICIT), END OF YEAR	\$ 22,290	\$ (3,432)	\$ 1,716	\$ -	\$ 605	\$ 1,922,345

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2016

SCHEDULE 5

	Regional Safe Schools				Truants Alternative/Optional Education				McKinney Education for Homeless Children			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES:												
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,250	\$ 52,250	\$ 52,250	\$ -
State sources	369,868	369,868	369,868	-	107,958	107,958	107,958	-	-	-	-	-
Local sources:												
Intergovernmental	-	-	605,080	605,080	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	<u>369,868</u>	<u>369,868</u>	<u>974,948</u>	<u>605,080</u>	<u>107,958</u>	<u>107,958</u>	<u>107,958</u>	<u>-</u>	<u>52,250</u>	<u>52,250</u>	<u>52,250</u>	<u>-</u>
EXPENDITURES:												
Instructional services:												
Salaries	-	-	-	-	76,069	76,069	78,813	(2,744)	-	-	-	-
Employee benefits	-	-	-	-	20,345	20,345	17,907	2,438	-	-	-	-
Pension expense	-	-	-	-	-	-	136	(136)	-	-	-	-
Purchased services	139,244	139,244	139,243	1	10,722	10,722	11,498	(776)	44,300	48,450	49,556	(1,106)
Supplies and materials	-	-	-	-	822	822	986	(164)	7,950	3,800	2,681	1,119
Payments to other governments	230,624	230,624	1,039,025	(808,401)	-	-	-	-	-	-	-	-
Total expenditures	<u>369,868</u>	<u>369,868</u>	<u>1,178,268</u>	<u>(808,400)</u>	<u>107,958</u>	<u>107,958</u>	<u>109,340</u>	<u>(1,382)</u>	<u>52,250</u>	<u>52,250</u>	<u>52,237</u>	<u>13</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>(203,320)</u>	<u>\$ (203,320)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,382)</u>	<u>\$ (1,382)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>13</u>	<u>\$ 13</u>
OTHER FINANCING SOURCES:												
Transfer in			<u>191,735</u>				<u>-</u>				<u>-</u>	
NET CHANGE IN FUND BALANCE (DEFICIT)			<u>(11,585)</u>				<u>(1,382)</u>				<u>13</u>	
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			<u>13,912</u>				<u>(17,365)</u>				<u>11,610</u>	
FUND BALANCE (DEFICIT), END OF YEAR			<u>\$ 2,327</u>				<u>\$ (18,747)</u>				<u>\$ 11,623</u>	

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 EDUCATION FUND ACCOUNTS - BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2016

SCHEDULE 5

	ROE/ISC Operations				Title II - Teacher Quality Leadership			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget	Original	Final	Amounts	Final Budget
REVENUES:								
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ 22,133	\$ 22,133	\$ 22,033	\$ (100)
State sources	228,541	228,769	228,769	-	-	-	-	
Local sources:								
Intergovernmental	-	-	-	-	-	-	-	
Miscellaneous	-	-	1,572	1,572	-	-	-	
Total revenues	228,541	228,769	230,341	1,572	22,133	22,133	22,033	(100)
EXPENDITURES:								
Instructional services:								
Salaries	155,182	155,182	156,668	(1,486)	-	-	-	-
Employee benefits	45,886	45,886	44,375	1,511	-	-	-	-
Pension expense	-	-	736	(736)	-	-	-	-
Purchased services	26,000	26,000	26,000	-	22,133	22,133	22,033	100
Supplies and materials	1,473	1,701	1,701	-	-	-	-	-
Payments to other governments	-	-	-	-	-	-	-	-
Total expenditures	228,541	228,769	229,480	(711)	22,133	22,133	22,033	100
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	861	\$ 861	\$ -	\$ -	-	\$ 100
OTHER FINANCING SOURCES:								
Transfer in			-				-	
NET CHANGE IN FUND BALANCE (DEFICIT)			861				-	
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			(4,293)				-	
FUND BALANCE (DEFICIT), END OF YEAR			\$ (3,432)				\$ -	

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2016**

SCHEDULE 6

	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Regional Board of School Trustees</u>	<u>Reading Recovery Installation Fees</u>	<u>Reading Recovery Operations</u>
ASSETS					
Cash and cash equivalents	\$ 56,998	\$ 95,165	\$ -	\$ 56,249	\$ 43,418
Accounts receivable	-	-	3,734	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	3,764	-	-	-
Total assets	56,998	98,929	3,734	56,249	43,418
DEFERRED OUTFLOWS OF RESOURCES					
None	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	\$ 56,998	\$ 98,929	\$ 3,734	\$ 56,249	\$ 43,418
LIABILITIES					
Accounts payable	\$ 172	\$ -	\$ 480	\$ -	\$ 193
Accrued expenses	-	-	-	-	-
Due to other funds	-	-	1,259	-	-
Due to other governments	-	-	-	-	-
Unearned revenue	-	800	-	-	-
Total liabilities	172	800	1,739	-	193
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	3,734	-	-
FUND BALANCE (DEFICIT)					
Restricted	56,826	98,129	-	56,249	43,225
Unassigned	-	-	(1,739)	-	-
Total fund balance (deficit)	56,826	98,129	(1,739)	56,249	43,225
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)					
	\$ 56,998	\$ 98,929	\$ 3,734	\$ 56,249	\$ 43,418

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2016

SCHEDULE 6
 (CONTINUED)

	<u>Distributive Interest</u>	<u>Learning Technology Center</u>	<u>Attendance and Truancy Division (ATD)</u>	<u>Educational Services Division</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 5,910	\$ 1,299	\$ 28,685	\$ 64,695	\$ 352,419
Accounts receivable	-	-	-	-	3,734
Due from other funds	-	-	25,900	-	25,900
Due from other governments	4,000	39,926	-	18,063	65,753
Total assets	9,910	41,225	54,585	82,758	447,806
DEFERRED OUTFLOWS OF RESOURCES					
None	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	\$ 9,910	\$ 41,225	\$ 54,585	\$ 82,758	\$ 447,806
LIABILITIES					
Accounts payable	\$ 250	\$ -	\$ 142	\$ -	\$ 1,237
Accrued expenses	-	1,780	-	1,118	2,898
Due to other funds	-	43,409	5,579	117,502	167,749
Due to other governments	3,469	-	-	-	3,469
Unearned revenue	-	-	-	-	800
Total liabilities	3,719	45,189	5,721	118,620	176,153
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	39,926	-	-	43,660
FUND BALANCE (DEFICIT)					
Restricted	6,191	-	48,864	-	309,484
Unassigned	-	(43,890)	-	(35,862)	(81,491)
Total fund balance (deficit)	6,191	(43,890)	48,864	(35,862)	227,993
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)					
	\$ 9,910	\$ 41,225	\$ 54,585	\$ 82,758	\$ 447,806

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

SCHEDULE 7

	<u>General Education Development</u>	<u>Bus Driver Training</u>	<u>Regional Board of School Trustees</u>	<u>Reading Recovery Installation Fees</u>	<u>Reading Recovery Operations</u>
REVENUES:					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	3,764	-	-	-
Local sources:					
Intergovernmental	-	-	4,230	-	-
Fees for services	6,294	31,823	-	-	51,750
Interest income	-	-	-	-	-
Total revenues	6,294	35,587	4,230	-	51,750
EXPENDITURES:					
Instructional services:					
Salaries	-	-	-	-	10,000
Employee benefits	-	-	-	-	1,449
Pension expense	-	-	-	-	75
Purchased services	172	11,301	6,894	-	57,286
Supplies and materials	581	350	-	-	159
Other objects	-	155	-	-	50
Total expenditures	753	11,806	6,894	-	69,019
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,541	23,781	(2,664)	-	(17,269)
OTHER FINANCING SOURCES:					
Transfer in	-	-	-	-	-
NET CHANGE IN FUND BALANCE (DEFICIT)	5,541	23,781	(2,664)	-	(17,269)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	51,285	74,348	925	56,249	60,494
FUND BALANCE (DEFICIT), END OF YEAR	\$ 56,826	\$ 98,129	\$ (1,739)	\$ 56,249	\$ 43,225

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2016**

**SCHEDULE 7
(CONTINUED)**

	<u>Distributive Interest</u>	<u>Learning Technology Center</u>	<u>Attendance and Truancy Division (ATD)</u>	<u>Educational Services Division</u>	<u>Totals</u>
REVENUES:					
Federal sources	\$ -	\$ -	\$ -	\$ 67,102	\$ 67,102
State sources	-	13,149	-	-	16,913
Local sources:					
Intergovernmental	-	-	-	-	4,230
Fees for services	28,141	-	-	-	118,008
Interest income	1,124	-	-	-	1,124
Total revenues	<u>29,265</u>	<u>13,149</u>	<u>-</u>	<u>67,102</u>	<u>207,377</u>
EXPENDITURES:					
Instructional services:					
Salaries	-	36,638	11,769	28,011	86,418
Employee benefits	78	16,437	2,978	247	21,189
Pension expense	56	-	-	9,620	9,751
Purchased services	10,194	-	5,810	29,189	120,846
Supplies and materials	4,487	-	16	-	5,593
Other objects	16,710	-	-	-	16,915
Total expenditures	<u>31,525</u>	<u>53,075</u>	<u>20,573</u>	<u>67,067</u>	<u>260,712</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,260)	(39,926)	(20,573)	35	(53,335)
OTHER FINANCING SOURCES:					
Transfer in	-	-	7,000	-	7,000
NET CHANGE IN FUND BALANCE (DEFICIT)	(2,260)	(39,926)	(13,573)	35	(46,335)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>8,451</u>	<u>(3,964)</u>	<u>62,437</u>	<u>(35,897)</u>	<u>274,328</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 6,191</u>	<u>\$ (43,890)</u>	<u>\$ 48,864</u>	<u>\$ (35,862)</u>	<u>\$ 227,993</u>

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 BUDGETARY COMPARISON SCHEDULE
 NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2016**

	Learning Technology Center			Variance with Final Budget
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES:				
State sources	\$ 52,594	\$ 52,594	\$ 13,149	\$ (39,445)
EXPENDITURES:				
Instructional services:				
Salaries	34,996	34,996	36,638	(1,642)
Employee benefits	17,598	17,598	16,437	1,161
Total expenditures	52,594	52,594	53,075	(481)
NET CHANGE IN FUND BALANCE (DEFICIT)	\$ -	\$ -	(39,926)	\$ (39,926)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR			(3,964)	
FUND BALANCE (DEFICIT), END OF YEAR			\$ (43,890)	

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2016**

<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Attendance and Truancy Division (ATD)</u>	<u>Fingerprinting Assessment</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,308	\$ 135,705	\$ 139,013
Prepays	-	3,585	3,585
Due from other governments	-	399	399
Total current assets	3,308	139,689	142,997
Non-current assets:			
Capital assets being depreciated, net	-	12,502	12,502
Total assets	3,308	152,191	155,499
DEFERRED OUTFLOWS OF RESOURCES			
None	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable	-	1,856	1,856
DEFERRED INFLOWS OF RESOURCES			
None	-	-	-
NET POSITION			
Net investment in capital assets	-	12,502	12,502
Unrestricted	3,308	137,833	141,141
Total net position	\$ 3,308	\$ 150,335	\$ 153,643

**LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2016**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Attendance and Truancy Division (ATD)</u>	<u>Fingerprinting Assessment</u>	<u>Total</u>
OPERATING REVENUES:			
Fees for services	\$ -	\$ 28,415	\$ 28,415
OPERATING EXPENSES:			
Salaries	-	1,125	1,125
Purchased services	-	21,634	21,634
Supplies and materials	-	2,975	2,975
Other objects	-	70	70
Capital outlay	-	720	720
Depreciation	-	2,515	2,515
Total operating expenses	<u>-</u>	<u>29,039</u>	<u>29,039</u>
CHANGES IN NET POSITION	-	(624)	(624)
NET POSITION, BEGINNING OF YEAR	<u>3,308</u>	<u>150,959</u>	<u>154,267</u>
NET POSITION, END OF YEAR	<u>\$ 3,308</u>	<u>\$ 150,335</u>	<u>\$ 153,643</u>

LAKE COUNTY REGIONAL OFFICE OF EDUCATION NO. 34
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Attendance and Truancy Division (ATD)</u>	<u>Fingerprinting Assessment</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from workshops and services	\$ -	\$ 28,562	\$ 28,562
Payments to suppliers and providers of goods and services	-	(18,108)	(18,108)
Payments to employees	-	(1,125)	(1,125)
Net cash provided by operating activities	-	9,329	# 9,329
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,308</u>	<u>126,376</u>	<u>129,684</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,308</u>	<u>\$ 135,705</u>	<u>\$ 139,013</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ -	\$ (624)	\$ (624)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	-	2,515	2,515
Prepays	-	5,885	5,885
Due from other governments	-	147	147
Accounts payable	-	1,406	1,406
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 9,329</u>	<u># \$ 9,329</u>